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# China Report

ECONOMIC AFFAIRS

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20 June 1984

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## NATIONAL POLICY AND ISSUES

### JINGJI YANJIU ON USE OF FINANCIAL RESOURCES

HK071319 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 84 pp 10-13

[Article by Xu Xuehan [1776 7185 1383] of Economic Research Center under State Council, and Dai Yuanchen [2071 0954 2525] of Economic Research Institute under Chinese Academy of Social Sciences: "An Alternative in the Policy Decision on the Use of Financial Resources"]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, especially since 1981 when a firm resolution was made to carry out readjustment, China's economic situation has been improving day after day and a scene of prosperity has emerged in towns and country. Following the upward turn in the economic situation, there are two different views on how to make rational use of financial resources and how to press forward continuously. One view holds that enough has been done in readjustment and that we should undertake more capital construction and increase the rate of growth by enlarging the scale of construction. Another view holds that we should continue to focus our efforts on readjustment, restructuring, consolidation, and improvement and should not one-sidedly go after the rate of growth, nothing in particular that we should strictly control capital construction and maintain basic balance in the supplies of capital goods and consumer goods on the market. This view also holds that when demand for finance and credit is not too great, it will be possible for us to carry out price and wage reforms, promote the all-round restructuring of the economic system and the all-round implementation of the eight character policy, increase macroeconomic results, and create conditions for faster economic growth in the future. In the following article, we shall proceed from the later viewpoint and elaborate of a few points.

#### I

The one-sided pursuit of growth rate, the blind extension of capital construction, and the thought that these are expressions of the "superiority" of socialism are long-standing problems that have long remained unsolved in our economic work. Despite repeated stress on the need to suit action to capabilities and to achieve actual economic results in recent years, outmoded ideas and practices have not been truly done away with. We firmly resolved to slash capital construction in 1981, but as soon as the economic situation took a turn for the better in 1982, the scale of capital construction outstripped

the state plan again. The special features that distinguished this from the past were: the volume of investment covered by the state budget was basically kept within the plan, but investment not covered by the budget and bank loans had sharply increased. Most investments continued to go to ordinary processing industries, and energy and transportation still did not get enough attention. This aggravated the imbalances. At the same time, the proportion of investment going to non-productive construction also increased at a fast rate. Despite the control measures taken by the state, investment still outstripped the plan in 1983. The central authorities had key construction projects to launch and, with scattered financial resources, the local authorities and enterprises also wanted to commence with projects made possible by "self-raised" funds. In other words, there were projects covered by the plan which had to be launched, but we were unable to slash projects not included in the plan.

At present, some comrades held that in order to attain the grand objective of quadrupling the gross annual value of industrial and agricultural production, we must achieve a faster rate of growth; and in order to ensure the rate of growth, we must launch new projects and enlarge the capacity for production. In particular, some localities, departments, and trades even set themselves the task of quadrupling the gross annual value of industrial and agricultural production without considering their subjective and objective conditions. It is a good thing to have soaring enthusiasm. The trouble is, our economic results are not good enough and our national strength is rather limited. With the national income growing by no more than some 30 billion yuan a year, even if we are able to maintain the rate of accumulation at the level of 25 to 30 percent, the annual increase in accumulation funds will be no more than 7.5 to 9 billion yuan. After making deductions for the accumulation of circulating funds, the annual increase in fixed assets investment will only be 5 to 6 billion yuan. Excluding projects designed to tap potentials and updating programs, investment in capital construction covered in the budget as well as outside the budget generally should not exceed 5 billion yuan. Only when funds are balanced will we have room for maneuver. We should see that the foundation for maintaining a balance in finance and credit is still very weak. If we are unable to control capital construction, it will become overextended. This is bound to increase deficits and the amount of money in circulation, and create tension between supply and demand. Economic life, which is returning to normal, will be thrown into a state of chaos once again. Only when basic balance in finance, credit, and materials, market stability, and a boom in both supply and demand are ensured will it be possible for us to fully implement the eight-character policy and, in particular, to carry out economic readjustment and reform in an all-round way step by step. Otherwise, we will not be in a position to talk about reform and will find it hard to achieve better economic results.

## II

Our second objective in controlling the scale of capital construction and developing the economy at a steady pace is to spare some resources for the price and wage reforms and create the necessary conditions for improving economic results when we are still beset with financial difficulties. Our considerations are:

First, wage and price reforms are the most sticky business in the restructuring of the economy. It is much easier to adjust wages upward than downward. The reform of unreasonable wage systems is bound to increase the total amount of the wage fund. The price of commodities is a most sensitive issue because it affects millions of households, factories, and shops. Staff members and workers have to be subsidized when the basic price of farm and mineral products is adjusted upward or when commodity prices go up as a result of the reform of unreasonable prices. Whether or not we can balance the accounts depends on whether the methods of granting subsidies are reasonable. Generally speaking, we must always leave ourselves plenty of leeway financially in planning reforms, or we will not be able to keep things under control. At present, our finances and banking are not strong enough and there is too much money in circulation. Under such circumstances, whether reform will cause confusion in our economic life is indeed a cause for concern. Thus, after years of talk about carrying out wage and price reforms, we are still full of misgivings and cannot make up our minds because we still have deficits and credit differences and are not sure things will work out well.

Second, will it be all right if we do not carry out price and wage reforms at all? No, it will not be all right. When industry and commerce are highly socialized, the number of lateral links will increase, making it necessary to make use of economic means and economic levers to regulate things so that social and economic activities can be rationalized. At present, we are moving very slowly with our economic restructuring and the macroeconomic results are barely noticeable. Many problems were caused by the question of prices. Our appraisal of economic results lacks a scientific basis. The contradiction between the system of economic responsibility on the one hand and wages and commodity prices on the other is also quite obvious. After all, bonuses are not wages. They fall into the category of payment for surplus labor. If we do not put an end to "confusion, inflexibility, and egalitarianism" in the wage system and, instead, merely rely on bonuses, we will find it hard to give true embodiment to the principle of to each according to his work and to fully arouse the enthusiasm of the masses. In implementing the system of responsibility for operation, some enterprises were able to make big profits without much of an effort while others were still running at a loss after putting in a lot of hard work because prices were unreasonable. In some cases, losses increased with production. As a result, bonuses and other fringe benefits differed greatly between enterprises and between workers, and not everyone was happy. Moreover, because of unreasonable prices, some enterprises were unwilling to slash the production of goods that were in excessive supply but were sold at a high price. Similarly, they were unwilling to increase the production of goods that were in short supply but were sold at a low price and yield little profit. We were unable to put an end to the state of affairs in which some commodities were overstocked and others were in extreme shortage. We were also unable to make production and needs meet and to check blind and duplicate construction. Thus, the readjustment of the industrial structure and the product mix was beset with obstacles. At present, energy and capital goods are sold at dual or multi-tier prices in a multitude of names. This is not conducive to the improvement of economic results and the restructuring of the economy. We have no way of stopping tax evasions, but it is quite convenient if one wishes to engage in corruption

and theft and appropriate public property. Although the introduction of the system of taxation instead of the delivery of profits to the state has initially readjusted the relationship between the state and the enterprises, enabling the state to get the bigger share of additional profits, the uneven allocation of rewards between enterprises due to unreasonable prices has become a salient contradiction. It was originally planned that in the second phase of the substitution of taxes for profit delivery a system of levying tax on profit-making goods would be introduced in lieu of a price readjustment. Now it appears that there are still a lot of difficulties. This is going to affect the restructuring of the financial system. Unreasonable wage and price systems will cause the economic levers to become rusty and inflexible. If so, they may play their regulatory role in the reverse way and cause the enterprises to develop in unwanted directions. More importantly, the overall balance of the national economy has to be measured both in terms of quantities in kind and in terms of the magnitude of value. If the price system as a whole cannot correctly reflect the magnitude of value of social products, it will not be possible for us to strike an overall balance of the national economy, or to evaluate the economic returns on investment. Thus, putting off the reform of the price system will not do. The longer we put it off, the greater will be the damage done to the national economy.

Third, if we keep putting off the wage and price reforms, we have to spend money just the same. Besides, if we are unable to improve the economic results and increase revenue, we will not be in a position to overcome our financial difficulties. Despite repeated wage readjustments since 1977, the problems of the lack of clearcut wage standards, egalitarianism, and so on in our wage system remained because we had not combined these readjustments with wage reform. The amount of money paid out as bonuses increased year after year. It has been estimated that such bonuses, together with "welfare products" and various kinds of official or unofficial subsidies and allowances, amounted to more than 10 billion yuan a year.

Now a word about price. Since 1982 when the scale of construction became overextended, the shortage of "three materials" was strongly felt. With projects not covered by the plan competing with those covered by the plan for these materials, we had no alternative but to import some of these materials. The price subsidies for these imported items actually means transferring state revenue to the hands of various departments, localities, and enterprises through the price channel and backing up the extension of capital construction not covered by the plan. Because of unreasonable prices, wool bought at high import prices was sold to woolen textile factories at a low price, and the finished products were sold at a low price. This means losing money over import as well as export. The local authorities then embarked on new or extension projects because the woolen textile factories were making money. This actually means that state revenue was used to back up blind and duplicate construction through the price channel. Viewed from macroeconomic angles, small refineries do not pay because they consume a lot of crude oil but have a low recovery rate and can only produce a small number of oil products. Despite repeated calls to discontinue their operation, they are still in business. This is because the price of crude oil is so low that as long as a refinery can get its hands on some crude oil, it can make money no matter how inefficient and wasteful it goes about its business.



Thus, we must not jump to the conclusion that because wage and price reforms cost money, they should be put off till some other time. In the past, we carried out wage and price readjustments mostly as stop-gap measures. We did not have well-thought-out plans, so that in spite of all the money spent, the tasks of reform remained untouched. We must clearly set forth the objectives of reform and formulate an overall plan. We believe that wage and price reforms have to be carried out step by step and cannot be accomplished all at once. However, every step we take must be suited to the general objective and outline, and we must do things step by step. Only in this way can we "make every cent pay" and achieve substantial results.

Fourth, how should we carry out wage and price reforms? What should be the objectives of reform? How should we map out our outline? The parties concerned are now studying specific plans in these connections. Our objective in carrying out wage reform is not so much to increase the proportion of the consumption fund as to make the wage system more reasonable. Reform costs money, but we must take national construction and the people's livelihood into consideration and must not upset the plan for macro-distribution.

The policy of stabilizing prices should be understood as "basic stability and reasonable readjustment." Reasonable price adjustments are bound to raise the general level of commodity prices. On the other hand, the consumers feel very strongly that prices should remain stable. There is quite a big conflict here. It is important that we study wage and price reforms (including the reform of the system of price subsidies by the financial departments) as one issue and try to carry out both reforms simultaneously. We must also try to compile a set of data that can reflect actual price fluctuations in the cost of living of consumers, and study specific measures to bring wages into line with commodity prices. In this way, even if prices do go up, people will be subsidized through wages. This will be acceptable to the masses if the level of real wage goes up slightly rather than decline and if a good job has been done in publicizing and explaining the policy. The financial departments only need to spend money once and will not have to bear too big a burden. If the wage and price reforms proceed separately and are not well-coordinated, people are prone to develop a feeling of insecurity and other misgivings despite the money spent by the state. This will create more obstacles to reform.

Fifth, we should see that wage and price reforms may also reduce expenditure and increase revenue. At present, the buying and selling prices of farm products are fixed in a reversed way, so that the more agricultural production develops and the bigger is the size of agricultural procurement, the more the state has to subsidize. The amount of subsidies is going up year after year. In our price reform, we could perhaps consider converting the major part of the subsidies into the price itself, and consequently into the wage, so as to bring about parity in the buying and selling of most agricultural products and save this portion of expenditure from the bottomless pit of subsidies. More importantly, wages and prices are important economic levers. Only when wages and prices are reasonable can they truly function as economic levers. This is necessary for carrying out all-round economic reform and economic readjustment. It is true that expenditure will increase in the early stage

of reform, but once things get started, we will find it so much easier to invigorate the economy, develop the economic readjustment in depth and breadth, gradually rationalize the industrial structure and the product mix, and continuously improve the economic results.

Thus, viewed from the short term, it does seem inappropriate to press for wage and price reforms when we still have financial difficulties. However, if we do not carry out reform, the financial difficulties will drag on for years to come and it will be hard for us to improve the enterprises. In the long run, reforms are good for state finances. The wage and price reforms will help bring the national economy back to the benign cycle and bring about a favorable turn in the financial situation. After some time, we will have more substantial strength and will be able to bring about a new period of vigorous economic development. Thus, sparing some financial resources for wage and price reforms will bring us more gain than loss from the strategic point of view.

### III

To sum up, we believe that we should now spare some financial resources for the reform of the wage and price systems and should not spend every cent on extending the scale of capital construction.

Here, we come to another problem. The extension of the scale of capital construction in recent years was made possible mainly by self-raised funds and bank loans granted outside the plan. Self-raised funds belong to individual units and are not directly at the disposal of the financial departments. Thus, even if the scale of construction is checked and investment reduced, it does not mean that the financial departments will have more money to spare for wage and price reforms.

Financial difficulties are stumbling blocks. Should we wait until the financial situation has improved before carrying out these reforms? With financial deficits running for years on end, it is not easy to get things done. But if we take a broader view and see the new changes brought about by the overall balance in finance and credit, we will still be able to find a way out.

Because our banks are state-owned, it is necessary to strike an overall balance in finance and credit. In the past when the method of unified state allocations and unified collection of receipts was practiced, the sources of bank credit funds were rather limited and could not meet the growing demand for loans. As a result, credit was usually not balanced. In the past, overall balance in finance and credit meant that the financial departments must back up the banks and make up for the difference in credit. In recent years, revenues and taxes have been reduced and financial resources greatly scattered as a result of the restructuring of the financial and economic systems. Most of the scattered financial resources found their way back to the banks through the credit channel. Now the banks are capable of backing up the financial departments, and have actually given them much help. Is it possible for them to spare more funds for the financial departments, so that the latter may in turn have the strength to support wage and price reforms?

The sources of bank funds have indeed increased, but all the money has to be used for loan purposes. If no effective measure has been taken and no careful preparation made, any attempt to ask the banks to produce any sum of money is bound to increase the issuance of currency. We believe that this matter must be considered side by side with efforts to control the scale of construction. A lot can be done by the banks in this regard. First, they can resolutely reduce loans for various investment purposes. Following the 1981 economic readjustment, heavy industrial production declined and a large portion of the productive capacities of the machine-building industries was left idle. Under the circumstances, intermediate and short-term loans and emergency loans were granted by the banks to boost these industries. As a result, production picked up in the light and textile industries and in the heavy industries. The situation is different now. With the overextension of capital construction and the shortage of the "three materials," it is no longer advisable for the banks to grant new loans for investment purposes. Of course, it is impossible to slash all projects made possible by equipment loans. However, as long as the banks resolve not to issue new loans and, instead, to further reduce the loans quota, it is possible to spare several billion yuan by reducing loans for investment purposes. Second, they can resolutely control projects made possible by self-raised funds. As long as the construction bank's offices at various levels stick to the plan and make no exceptions, they can certainly succeed in checking capital construction not covered by the plan. It is true that the money thus saved is not at the disposal of the state financial departments, but as long as it is not spent on capital construction, it can increase the maneuverability of the credit fund whether it is used as circulating funds or deposited into the bank. Third, they can resolutely control attempts to raise funds. Whether they be investment and trust companies or setups made possible by pooling resources, the money comes from the banks. Most of these undertakings are not covered by the plan. They may prove profitable locally, but from the macroeconomic angle, they are bad for the planned economy. The banks must reflect and check such developments in good time so that their deposits will not be transferred elsewhere and used up. The departments concerned also should stop publicizing about methods of pooling resources that will eventually shift economic burdens to others and affect state revenue. Funds can thus be saved. To sum up, provided that we do our job in controlling the scale of construction and squeeze some money from credit sources, with the money that has already been earmarked for wage increases and price subsidies, the problem of funds needed for wage and price reforms can be solved through overall planning. This will make it possible for us to devote more attention to price and wage reforms and take bigger strides. We will also be in a position to strive to carry out both reforms simultaneously and pave the way for the improvement of economic results and for the fundamental improvement of the financial situation.

As we see it now, it is not practical to put off the price and wage reforms until we are comfortably off in finance and credit. Reforms are possible as long as we take strict precautionary measures when we map out reform programs, such as tightening currency control, readjusting the interest rates, setting aside reserve materials, guaranteeing the value of savings and deposits, slashing financial expenditures, and carrying out political education, take possible infringements and difficulties into full account, plan every move carefully, do things systematically, be ready to fight tough battles, and work on both reforms simultaneously as one single task.

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## PROVINCIAL AFFAIRS

### FIVE MAJOR ACHIEVEMENTS OF EACH PROVINCE IN 1983 CITED

Beijing BAN YUE TAN in Chinese Nos 2-3, 25 Jan, 10 Feb 84

[Article by staff reporter: "The Five Great Achievements of Various Provinces, Municipalities and Autonomous Regions in 1983"]

[No 2, 25 Jan 84 pp 18-24]

[Text] Editor's note: The year 1983 has entered the history books with glorious achievements. The traditional column of this publication, "The Five Great Achievements of various Provinces, Municipalities and Autonomous Regions," is again presented to our readers. Reading of the achievements everywhere in our fatherland, we feel stimulated and inspired. In the process of gathering information on the five great achievements, the reporter for this publication received enthusiastic support from the leading comrades of various provinces, municipalities and autonomous regions and expresses a feeling of gratitude.

#### Beijing

1. The 15,938 agency, factory, armed forces, school and commercial shop units in the capital implemented the "three doorfront contract" responsibility system of "contracting for public health," "contracting for making it green" and "contracting for order" and put in order 155 large streets and 20 regions on a priority basis, thus promoting a new development in spiritual culture construction.
2. The higher institutions in the municipality enrolled 2,785 postgraduate students, the highest level since the system of postgraduate training was reinstated in 1978. By the end of 1983, 3,384 postgraduate students had graduated from the higher institutions, of which 2,994 received their master's degrees.
3. Nearly 700 industrial products joined the advanced ranks in the country. Products receiving the state's gold medal, silver medal and gold cup quality awards increased by 79 percent over the previous year. Of the 136



products participating in the national competition within their own industries, 50 placed first in the country and 20 placed among the best.

4. More than 6 million square meters of building construction were completed, including more than 4 million square meters of residences and providing the living quarters for more than 70,000 households of residents.

5. An overall abundant harvest was achieved in agricultural and byproduct production in the suburbs. Foodgrain production achieved the highest record in history with an output of 3.92 billion jin. Three breakthroughs appeared in the production of by-products: production of fresh milk exceeded 200 million jin; catch of freshwater fish exceeded 10 million jin; and procurement of fresh eggs exceeded 100 million jin, achieving a figure of more than 125 million jin and ending a situation of depending principally on outside supplies for its fresh eggs on the market which had existed for several years.

#### Tianjin

1. The project of diverting the Luan He to Tianjin was successfully completed, requiring only 16 months for its clear water to be brought to Tianjin. As a result, Tianjin residents have ended their history of drinking bitter and salty water. Because of the increased water supply, the industrial production of the municipality has increased by 3 million yuan a day.

2. The state's priority construction projects in Tianjin, the Tianjin Petroleum Chemical Fibre Plant with an annual capacity of 81,000 tons of polyester, was completed and entered into production; when the polyester is drawn into fibre, it is equivalent to raw cotton production from 2 million mu of cotton fields. The reconstruction project of the salt wharf in Tianjin Harbor was completed and started operating; the raw salt loading and discharging capacity was increased from an original 1.41 million tons to 4.61 million tons.

3. Using their voluntary labor and after a year of aroused battle, the people of Tianjin have completed the construction of the Hai He belt-shaped park along both banks of the Hai He, which is 18 km long and has a total area of more than 200,000 square meters.

4. On the originally dirty and shabby street of Xiqingdao in the old city region, 177,000 square meters of residential quarters and auxiliary works were completed in 1 year, thus becoming an open and beautiful prosperous region. The experience of reconstructing an old city region, involving land requisition, tearing down and moving, starting and completing work and turning over for occupancy all in 1 year, has been accumulated.

5. Maternity and child care work made progress. Nearly 1,000 new beds were added in the obstetrics departments in the municipality, and 1,203 child care centers of various types and kindergartens were built, easing the difficult problem of pregnant women trying to enter a hospital and of children trying to enter a child care center.

## Hebei

1. An abundant harvest was achieved in a severe drought year. Total cotton production could reach 1.45 billion jin, doubling the output of the year before and becoming a province with a yield of more than 100 jin of ginned cotton per mu. It was estimated that the total economic income in the province, including undertakings contracted by commune members and those operated by members themselves, would reach 15 billion yuan, an increase of 18 percent over the previous year. Average per-capita income could reach 238 yuan, an increase of nearly 24 percent compared with the year before.

2. The number of brigades engaged in the development of cultural village construction activities in the province exceeded 28,000, representing more than 55 percent of the total rural brigades. The development was moving from villages with better geographical locations and economic conditions toward villages in the border areas and those in poorer economic circumstances.

3. The Jingqin electrified doubletrack railway line between Beijing and the port of Qinhuangdao, with a total length of 281 km completed 1 year ahead of schedule.

4. In the Tiahang Shan region, which crosses 5 prefectures and 24 counties, the provincial science committee and the Hebei College of Agriculture set up 17 experimental projects, including those on Chinese chestnut, red date, walnut and domestic rabbit, with 64 experimental bases and 8 demonstration areas. The total investment in scientific research was more than 3 million yuan, but increased income exceeded 52 million yuan.

5. Middle and primary schools at the rural commune level and below were turned over to the communes and brigades for management and for the development of funds to improve operating conditions and to provide remuneration of the teachers. The state concentrated its financial resources on properly developing county teachers schools, senior high schools, agricultural middle schools and junior high demonstration schools. The province had 34 middle-level teachers schools originally. With the establishment of 144 county teachers schools, the goal of a teachers school in every county was accomplished.

## Sichuan

1. Agriculture achieved increased production for the 7th year in a row. Total foodgrain output increased by 2 billion jin over the abundant harvest year of 1982.

2. Industrial production value and financial receipts increased in step with each other. Compared with the previous year, gross production value of local state-operated industries increased by 15.7 percent and financial receipts for the province increased by 10.4 percent.

3. Readjustment was completed for the 211 county-level party political leadership groups. The average age of standing leadership members was

reduced by 6 years. Those holding top responsibility with a cultural level of higher and special institutions were increased from the original 3.2 percent to 32 percent.

4. The province conscientiously solved the problem of cadres occupying excessive housing. In provincial, prefecture and county party political departments, 1,378 cadres at the county level and above returned 23,895 residential rooms.

5. With seven successive wins, the Sichuan girls' volleyball team won the championship of the Fourth Chuanlian National Games.

#### Anhui

1. The joint production contract responsibility system expanded from the agricultural to all forestry, animal husbandry, byproduct and fishery industries. Specialized and priority households increased to 14.8 percent of the total peasant households in the province. Agriculture fought successfully against an unusually large flood and achieved an abundant harvest. Output of cotton, silkworm cocoon, fruit and aquatic products and the output values of forestry, animal husbandry and commune and brigade enterprises all increased over the previous year. Foodgrain output was second only to the output of the highest year in history.

2. The construction of the Lianghuai coal base achieved the unprecedented result of "three entered [production]" "three started" and "one opened." The Panji No 1 and Juxianzhuang mines and a coal washing plant were completed and entered into production. The Xieqiao and Taoyuan mines and Pingwei power plant started construction. The Fu(yang)-Huai(nan) railway was completed and opened to traffic.

3. More than 300,000 staff, workers and youths participated in the study movement to "vitalize China and construct Anhui." Over 500 speaking groups were organized by CYL committees at the county level and above, and the number of manhours that youths and young people listened to the talks was over 1 million, in which they received the education of loving the fatherland, loving Anhui and loving the hometown.

4. The first group of young college students in our country graduated from the class for the young in the College of Science and Technology of China and was awarded bachelor degree certificates. The average age at the time of enrollment was 14 and the youngest was 11. Among them, 42 had passed the 1981 and 1982 examinations for graduate studies in China and abroad and for studying overseas.

5. The economic benefit achieved by the foodgrain enterprises in the province was the highest in the country. Profits turned over to the state was the highest in the country. Profits turned over to the state during the first 3 quarters, already totaled 47,420,000 yuan.

## Jilin

1. Gross agricultural production value and total foodgrain output achieved the targets established in the Sixth 5-year Plan 2 years ahead of schedule. Total foodgrain output was 27.3 billion jin, an increase of 35 percent over the previous year. Foodgrain turned over to the state was more than three times the previous record high. The average per-capita agricultural income was 400 yuan, an increase of 28.1 percent over the previous year.
2. Gross industrial production value and financial receipts achieved the targets in the Sixth 5-year Plan 2 years ahead of schedule. Using only crude efforts to make up deficits and increase surplus profits, the rate of increase of financial receipts exceeded that of output value. Compared to the previous year, the gross industrial production value increased by 14 percent while financial receipts increased by 17.5 percent.
3. The growth of forest trees exceeded the quantity cut. The total growth was 25.08 million cubic meters while the consumption was 20.8 million cubic meters, and the situation of imbalance between growth and cutting began to be turned around.
4. More than 420 vocational (technical) schools were already in existence in the province and another 422 regular high schools had vocational classes. Total enrollment of vocational students in the two was more than 140,000, accounting for 41.4 percent of the total students at the senior high level and achieving the state's requirement ahead of time.
5. The natural population growth rate was estimated to be 11 per 1,000, about 2 per 1,000 lower than the target given by the state. The single-birth rate was 90 percent, planned birth rate 92 percent and the rate that people asked for one-child certificates was 84.6 percent, an increase of 5 percent, 4.5 percent and 2.8 percent over the previous year, respectively.

## Shandong

1. Overcoming a serious drought, production of grain and cotton achieved historic records. Compared to the previous highest foodgrain production year of 1979, the acreage of grain fields was reduced by about 10 percent while total foodgrain production increased by 9.3 percent and reached 54 billion jin. Total cotton production, at more than 24 million dan, broke through the major level of 20 million dan for the first time.
2. Four highest historic levels were achieved in industrial production: gross industrial production value exceeded 40 billion yuan; more than 3.8 billion yuan in profits and taxes were realized by state-operated industrial enterprises within the budget; 34 products received the state's silver award; and energy resources, equivalent to 1.24 million tons of standard coal, were conserved, exceeding the energy conservation plan by 24 percent.

3. A historic record was established in financial receipts, exceeding the budgeted target distributed by the state by 1.29 percent, representing an increase of 8.68 percent over the previous year and achieving a balance in financial receipts and expenditures.

4. The state's priority construction project--the Yantai synthetic leather plant--completed construction, started trial production and reached its design capacity of 3 million square meters of synthetic leather a year.

5. The Ministry of Public Health announced in 1983 that Shandong was the first province in the country which had basically eliminated filariasis. Shandong was originally the province with the most serious prevalence of Ban [abbreviation of foreign name] types filariasis. With measures taken to combat the disease since the early 1950's, Shandong has achieved outstanding results in 30 years.

#### Liaoning

1. The total foodgrain production of more than 27 billion jin was the highest in history, of which more than 12 billion jin could be turned over as a commodity grain. Based on the urban to rural population ratio of 1:1.74, the province was more than self-sufficient in foodgrains and, for the first time, it was not necessary for the state to move foodgrains into the province.

2. The state's priority construction project--the newly delineated reserves in the Liaohe oil field, which was being expanded--doubled the amount delineated in the previous year. Output of crude oil during the year was 6 million tons, representing an increase of 15 percent over the previous year, establishing the highest record in history and becoming the fourth largest oil field in the country.

3. The quality of industrial products improved notably, with 65 products judged as superior products of the state, an increase of 35 percent over the previous year. In addition to 41 heavy industry products, 23 light industry products, including the Hungmei-brand monosodium glutamate and tussah silk, were also among the best in their industries in the country, separately receiving gold and silver awards.

4. The Tiefeng No 18" species soybean, cultivated by the agricultural department of Tieling Prefecture, received the first-class invention award of the state in 1983. From 1974 to 1982, planting of this superior species was expanded by 33.4 million mu and the economic benefit derived from increased yield was 335 million yuan.

5. In international athletic competition where 3 or more countries were involved, Liaoning athletes won 16 championships in badminton, ping pong, shooting, walking race, fan ban, gymnastics, track and field and girls soccer. In the Fifth National Games, Liaoning placed third in total group score.



## Xizang

1. The reorganization of prefecture and subprovincial administrative region-level organizations and the readjustment of leadership groups were completed. Zang and other minority nationality cadres accounted for more than half of the cadres with leadership responsibilities at the prefecture and subprovincial administrative region-level and above.
2. Traditional handicraft industries of the nationalities developed rapidly. The gross production value during the year reached 20 million yuan, an increase of a third over the previous year and exceeding the previous record high.
3. There were 7,000 commercial systems and businesses operated by the state, collective groups and individuals, an increase of 40 percent over the previous year. Among them, commune and brigade shops with their own developed funds and management and individual purchasing and sales households increased by 110 percent and 85 percent, respectively, over the previous year with an improvement of the supply of commodities specially needed by the urban and rural nationalities.
4. More than 400 live-in primary schools were developed in the rural grazing regions, and more than 50,000 children of the Zang, Moinba (Monba) and Lhoba (Lopa) nationality people and Xiaerba and Deng peasants and herders were studying in these schools.
5. Zang medical work made further developments. The two Nagu and Ngari Zang hospitals were completed and started operation. Except for the Zang hospital in Qamdo which was being planned, five of the six prefectures and municipalities in the autonomous region now have Zang hospitals.

## Nei Monggol

1. More than 9,000 progressive persons in nationality unification appeared in the autonomous region. The ideology that "no one can be without the other" was deeply engrained in the minds of the people of various nationalities. Events of friendly nationality unification and hand-in-hand border region construction appeared endlessly.
2. Total output of foodgrains, oil materials and sugar beets all reached the highest level in history. The rate of livestock leaving the pen and its commodity rate improved notably. The rate of improvement of livestock species accelerated and the structure of the livestock industry was gradually becoming more rational. Both financial receipts and the income of the peasants and herders achieved their highest levels in history.
3. Among the national priority energy resource construction projects, the rate of construction of the four openpit coal mines of Huolinhe, Yiminhe, Zhungeer and Yuanbaoshan was accelerated. The Huolinhe mine completed its backlog removal plan for the year 10 days ahead of schedule. The Yiminhe mine started its backlog removal work 6 months ahead of schedule. The

Yiminhe mine started its backlog removal work 6 months ahead of schedule. The Zhungeer and Yuanbaoshan mines completed their preliminary designs and overall plans.

4. The autonomous region won the national championship in afforestation for the 3d year in a row. Tree planting and afforestation covered 8.3 million mu during the year, which was the largest rate in history. The tree survival rate exceeded 70 percent. Individual groups accounted for more than half of the total of forestation acreage.

5. The state-operated farm system, which had long operated at a loss and depended on state subsidy, achieved a surplus profit for the first time in 1983 and discarded its deficit label, with 300 million jin of commodity grains turned over to the state and its output value increased by more than 200 percent over 1978.

#### Shanxi

1. The seven priority construction projects of the state in Shanxi completed their annual investment plans according to schedule. Investments in energy resources and the heavy chemical industry increased by nearly half over the previous year.

2. The annual gross industrial production value broke through the 15-billion-yuan level for the first time and increased by 12.4 percent over the previous year. Profits turned over to the state by industrial enterprises within the budget reached 940 million yuan, an increase of 16.7 percent over the previous year. Because the rate of increase of profits was faster than that of output value, the financial receipts of the province increased by 16.2 percent over the previous year.

3. Coal production continued to increase. Total output was 154 million tons, an increase of 6.2 percent over the previous year and equivalent to more than twice the 1976 output.

4. A total of 308 industrial enterprises changed from operating with a deficit to operating with a surplus. Compared to the previous year, the number of deficit operations decreased by 63.2 percent and the total deficit decreased by 55.7 percent. The scales at which deficit operations and total deficits were reduced were among the largest in the country.

5. In Yanbei Prefecture and the 19 counties and regions of Zuoyun, Shanyin, Huaiyuan, Pinglu, Shuoxian, Yingxian, Hunyuan, Lingqiu, Youyu, Guangling, Fanshi, Pianguan, Ningwu, Pingding, Wutai and Yuanping and the Gujiao region of Taiyuan Municipality, the doubling of total agricultural production value in 3 years was achieved.

#### Qinghai

1. The priority construction projects of the state being developed in Qinghai progressed smoothly. The Xining to Golmud section (834 km long) of

the Qingzang railway [Qinghai to Xizang], currently with the highest elevation in the world, was basically completed. The task of pouring the large 600,000-cubic-meter concrete dam of the Longshanxia hydroelectric station, the largest in upper Huang He, was completed 15 days ahead of schedule. The year's roadbed and asphalt surfacing tasks in the reconstruction of the most difficult section of the Qingzang highway were overfulfilled.

2. Total foodgrain production in the 14 agricultural counties of the province was 1.93 billion jin, establishing the highest record since liberation.

3. Total export value exceeded that of 1980 by more than 200 percent. A commercial exhibit of export products was shown in Hong Kong for the first time and 1,800 products in 420 categories were exhibited, including animal products, special native products, traditional medicines, light textile products, food products of grain and oil and minerals of gold, silver, copper, iron and tin.

4. The number of municipalities in the province has increased to 20, and the number of municipalities was the highest in history, breaking through the 20,000 figure for the first time.

5. The nationality song and dance group of Qinghai made a tour abroad for the first time and caused a sensation in Cyprus, Tunisia, Turkey and Malta with its exquisite and unique art of the singing and dancing of the Zang, Tu and Salar (Sala) nationalities. At the Fifth National Games, Qinghai athletes Lin Jicheng [2651 3444 2052] and Ma Jun [7456 6511] tied the world's shooting record three times.

#### Jiangxi

1. Agriculture achieved an abundant harvest in a year of major disaster. Foodgrain production exceeded 28.5 billion jin, establishing the highest record in history and meeting the target in the Sixth 5-Year Plan 2 years ahead of schedule. New developments were also achieved in forestry, animal husbandry and fishery. The net income of commune members reached 300 yuan, an increase of 10 percent over the previous year.

2. Realized profits in industry increased about 23 percent and profits turned over to the state increased by about 12 percent, both exceeding the rate of increase of output value. Local financial receipts exceeded the plan by more than 100 million yuan.

3. The state's priority construction project, the Yongping copper mine of the Jiangxi Copper Company, fully completed its investment plan for the year. The installation of the two largest ball mills in our country was completed at the mine and individual trial runs were immediately successful.

4. The No 1 125,000-kW generating set of the Jiujiang No 2 power plant, the largest high-temperature and high-pressure generating set in the province, formally started operating and joined the power network.



5. A total of 176 feed plants started their construction or received approval for construction. The total annual production capacity is 1.6 billion jin of mixed supplementary feed.

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#### Shanghai

1. The gross industrial production value of the entire municipality of 67.8 billion yuan continued to maintain its leading position in the country. It represented an increase of 4.14 billion yuan over the previous record high in history of 1982 and the largest increase in the last 3 years.

2. Every one of the 1,720 local and state-operated plants in the municipal region operated with a surplus profit in 1983 and the region became the first of the large cities in our country without an industrial enterprise operating with a deficit.

3. During the year, agreements were signed with foreign traders for 230 technical items of imports to be used for the reconstruction of old enterprises, with a total contract value of more than U.S. \$200 million. Both the quantity and technical level of import items had not been seen in Shanghai before.

4. After the installation of the Baoshan No 1 blast furnace, the largest in our country, was completed, it started its trial run. The principal production technology of this furnace is the use of an electronic computer for monitoring and control. It will produce more than 10,000 tons of pig iron when production starts.

5. The total capacity of ships built by the shipbuilding industry in the municipality broke through the 300,000-ton level, establishing the highest record in history. Of the total, export vessels accounted for 85 percent of the capacity. The foreign exchange earned was three times the previous high in 1982. Of the vessels built, the 36,000-ton-class ocean-going cargo ship and the contained ship with a loading capacity of 12,300 tons received the gold awards of the state.

#### Shannxi

1. In a year of flood disaster in the south and drought in the north, foodgrain production in Shannxi achieved an abundant harvest. Total production exceeded 19 billion jin, establishing a new record in history.

2. The financial receipt plan for the year was overfulfilled 20 days ahead of schedule. Compared to the same period of the year before, receipts increased by 9.71 percent, which was one of the bigger increases in recent years.

3. The large 800,000-kW hydroelectric station at Ankang successfully received the inflow of water on 25 December.

4. The Shannxi color kinescope assembly plant exceeded the state production plan by 45 percent in its 1st year of operation. It realized a profit of 30.67 million yuan, thus entering into production and achieving a surplus profit in the same year.

5. On the night of 31 July, an especially large flood of the Han Jiang, unseen in a hundred years, inundated the important town of Ankang in southern Shannxi. With every possible effort, large numbers of army and civilian personnel successfully fought the flood and saved the town from disaster.

#### Hubei

1. After rigid checking, the reorganization work of the large and medium-size backbone enterprises in the province with annual taxes and profits above 10 million yuan was accepted as meeting the standards. The industrial economic benefit in the province showed a notable improvement. The output value, receipts from sales and realized profits of industrial enterprises within the budget increased by 12, 10 and 14 percent, respectively, over the previous year.

2. More than 75,000 cadres, 14,000 officers and men of the PLA and 3.9 million of the masses participated in the flood prevention emergency struggle and successfully battled the unusually large flood peak of the Yangtze River and assured a better harvest in agriculture. It was estimated that the total agricultural production value could approach the record level established in the previous year.

3. The Tujia and Miao Autonomous Region was formally established in western Hubei on 1 December. The region has jurisdiction over Enshi Municipality and the seven counties of Badong, Jianshi, Lichuan, Xuanen, Xianfeng, Laifeng and Hefeng. Within its borders, the more than 20 minority nationalities of Tujia, Miao, etc represented 42.8 percent of the total population.

4. Jiangnan College in Wuhan Municipality, the province's first paying-student daytime vocational college for which the state provides no [funding] distribution, graduated its first group of 274 students. They had good academic records. Many state-operated enterprises and businesses and units related to the PLA were making requests to hire these students, and the "supply could not meet the demand."

5. Based on the large ancient striking music instrument, the bian zhong [composing gong(s)], of the Warring States Period discovered 5 years earlier, the "bian zhong music dance," composed and choreographed by the Hubei song and dance group, was born. This is an epic reflecting the music and dancing of the Spring and Autumn Period and the Warring States Period and it further reflects the glorious accomplishments achieved in music by the Chu State more than 2,400 years ago.

## Guangdong

1. Compared to the previous year, gross industrial production value increased by 12 percent and realized profits of state-operated enterprises increased by 9.8 percent. There were 130 new products which reached international or advanced levels. More than 100 medium-size and small enterprises in the province were employing microcomputers.
2. Nearly 200 million jin more in foodgrains were produced than in the record high level of 1982. Industrial and byproduct production value in the rural areas increased by 12 percent.
3. More than 10,800 new contracts were signed utilizing foreign funds, and actual foreign funds involved were U.S. \$10 million, an increase of 32 and 13.7 percent, respectively, over 1982.
4. Construction of the special economic zones of Shenzhen, Juhai and Shantou was accelerated, their investment environment showed a clear improvement and investment results were beginning to show. In the Shenzhen special economic zone, 80 percent of the enterprises with joint domestic and foreign funding or total foreign funding, either starting production or operating during the year, began to show a surplus profit. The output value of these jointly funded and totally foreign-funded enterprises already accounted for one half of the gross industrial production value of the special zone.
5. During the Fifth National Games, Guangdong athletes won 36 gold medals, the highest number in the country. In international athletic competitions, they won 30 gold medals, 21 silver medals and 12 bronze medals.

## Gansu

1. Agriculture achieved an overall abundant harvest. Total foodgrain production was 10.5 billion jin, an increase of 11.9 percent over the previous year. The number of large livestock reached 4.33 million head, an increase of 4 percent. Total agricultural production value was 3.5 billion yuan, establishing a record high in history.
2. Tree planting during the year covered 2.02 million acres and grass planting 2.88 million acres, unprecedented in both size and quality.
3. Industrial production value, realized profits and profits turned over to the state increased by 12.08, 41 and 17 percent, respectively, over the previous year, the first time all three had large, simultaneous increases.
4. Nickel production by the world's second largest nickel mine, which is owned by the Jinchuan Nonferrous Metals Company broke through the 10,000-ton level for the first time since production started 20 years earlier.
5. In the state's priority construction project, work was completed on the 304-km section between Baoji and Longxi in Gansu in the electrification

conversion of the Baolan (Baoji to Lanzhou) section of the Longhai Railway and commercial transport was started.

#### Fujian

1. Total foodgrain production was 17.16 billion jin and total fruit production was 3.93 million dan, both establishing the highest record in history.

2. The work of the "three fixes" in forestry was completed in most of the countries and municipalities. The acreage where mountain rights were fixed was 97.8 percent of the land used for forestry. The production responsibility system was fixed for 80 percent of the mountain forests. Self-retained mountain land was fixed for 1.73 million peasant households, averaging 6 acres per household. The development of the system of "2 households in 1 group" was extended to about 40,000 households. Total afforestation renewal in the province reached 4 million mu, an increase of 60.4 percent over the previous year and the largest increase in recent years.

3. The system of "2 households in 1 group" in sea cultivation was extended to 71,000 households, representing 40 percent of the total sea cultivation households in the province, and cultivation was extended to 235,000 acres. The production of fish, shrimps, shellfish and algae accounted for nearly 60 percent of the total output from sea cultivation in the province.

4. Import items of advanced equipment and technology from contract agreements with merchants from abroad totaled 106, the largest in Fujian in a year. Of the total, 39 were already placed in production and another 23 had also arrived. These imports were having a very good effect in the reconstruction of old enterprises and the improvement of economic benefits.

5. In competitions in China and abroad, Fujian athletes won 85 gold medals in ping pong, badminton, track and field and swimming, and 9 of the athletes also broke the national record 13 times in 8 events.

#### Gueizhou

1. Both the gross production value and total output in agriculture established the highest record since the founding of the People's Republic, increasing by 2.4 and 3.2 percent, respectively, over the previous year.

2. A total of 10.57 million acres of mountain land for self-retention had been assigned to the peasants. Also, 27.19 million acres of collectively owned mountain forest land and large areas of waste mountain land to be afforested, whose rights had been established, were contracted to households, joint households or commune and brigade forest farms. The area of afforestation during the year increased by more than 100 percent over the previous year, and 44 percent of the artificial afforestation acreage was done by more than 40,000 special and priority forest work households.

3. The gross industrial production value would reach 6.1 billion yuan, an increase of 17.6 percent over the previous year and establishing a record high in history. Within-budget enterprises overfulfilled the year's profit plan by 7.6 percent 1 month ahead of schedule, and net surplus profit increased by 84.3 percent. The cumulative deficit was reduced by 37 percent. Profits and taxes turned over to the state increased by 39.44 percent. The increase of economic benefits exceeded the increase of production.

4. The financial receipt plan for the year was overfulfilled 1 month ahead of schedule. It was estimated that by year's end total financial receipts would represent an increase of 23 percent over the previous year.

5. The natural population growth rate was controlled at below 11 per 1,000. It was estimated that the rate would be about 2 per 1,000 lower than that of the previous year. The control target of the province's population growth plan was achieved for the first time.

#### Jiangsu

1. Economic work in the province achieved the breakthrough of "six, seven and eight." Total foodgrain production broke through the 60-billion-jin level and reached 60.6 billion jin, an increase of 3.5 billion jin over the previous year. Total financial receipts broke through the 7-billion-yuan level and reached 7.28 billion yuan, an increase of 9.3 percent over the previous year. Gross industrial production value broke through the 80-billion-yuan level and reached 81.1 billion yuan, an increase of 10 percent.

2. The rural economy was turning from self-sufficiency and semi-self-sufficiency to a commodity economy. The ratio of commodity production income to total income in the rural areas: in the 1950's and 1960's it was 20 to 30 percent; in the 1970's, 40 to 50 percent; and in 1983, over 70 percent with the appearance of a large number of counties with a commodity rate of over 80 percent and towns and villages with a commodity rate of over 90 percent.

3. The first 520,000-ton urea synthesis tower in our country was successfully manufactured by the chemical machinery plant of the Nanjing Chemical Industry Company, lifting our country up to the ranks of the few countries in the world with the capability to produce this equipment.

4. Currently our country's tallest tourist hotel, the Jinling Hotel, was completed and began formal operation. The main building of this hotel in the busy city section of Nanjing has 37 stories with a height of 110.4 meters. The hotel has a capacity for 1,400 guests.

5. Jintu County produced a total of 650 million jin of foodgrains and provided 350 million jin of commodity foodgrains. The average foodgrain production per household was 10,500 jin with each person producing 2,400 jin and selling 1,300 jin, thus becoming the first county in Jiangsu with each household producing 10,000 jin and each person producing 1 ton of foodgrain and each person selling more than 1,000 jin of commodity grain.



## Hunan

1. The first large electronic computer in our country with the capability of making more than 100 million computations a second was successfully trial-manufactured through the cooperation of the National Defense Science and Technology College of the PLA and over 20 other units, and it received state authentication in Hunan on 6 December.
2. Successfully battling serious disasters of wind, hail, flood and drought, total foodgrain production reached 49 billion jin, an increase of 1.5 billion jin over the previous year and establishing another record high in history.
3. Another 73 small hydroelectric stations were constructed in the province, increasing the total number of small hydroelectric stations in the province to more than 9,000 with a total capacity of 910,000 kw and placing the province third in the country. Currently, more than 30,000 peasant households are using electricity for cooking during the water-abundant season.
4. The provincial department of geology and minerals turned over to the state seven large and medium-size deposits of wolfram, lead and zinc, mercury and gypsum which could be developed. Also, 23 deposits were newly identified by exploration, including large quartzite tin ore deposits, large kaolin deposits, medium gold and scheelite deposits, barite and dolomite as well as, currently, the largest sepiolite deposit in our country.
5. The Hunan section of the project to connect the electric networks of Hunan and Hubei was completed and started operation.

## Heilongjiang

1. The joint family production and farm machinery contract systems were promoted in the rural areas on a broad basis and an overall abundant harvest was achieved. Foodgrain production broke through the 30-billion-jin level, total agricultural production value could reach 11.4 billion yuan, 10.8 billion jin of foodgrain were turned over by requisition and average income per commune member could reach 313 yuan, all establishing the highest record in history.
2. For the 8th year in a row, the Daqing oil field achieved either a stable or a high output. More than 52 million tons of crude oil were produced during the year, exceeding the state plan by more than 1.3 million tons, establishing the highest record in history and accounting for half of the country's total crude oil output.
3. Six historic records appeared in the production system of milk products: 172,000 head of milking cows in the pens, 400,000 head of milking goats, 75 milk product processing plants, more than 1,400 tons of fresh milk processed daily, 30,050 tons of annual milk product production capacity and an output of more than 26,900 tons of milk powder.

4. The total value of special native mountain products procured in the province reach 140 million yuan, establishing the highest record in history. Compared to the previous year, the procurement of bee honey increased by 200 percent and reached 289,000 dan, that of edible fungus increased by 350 percent and reached over 38,000 dan and that of oak nuts increased by 17 times and reached 2,300 dan.

5. At the Fifth National Winter Games, Heilongjiang athletes won 33 gold medals, the highest number in the country. They were also first in the country in total scores in men's and women's speed skating.

#### Ningxia

1. The readjustment of party political leadership groups at the prefecture, municipality, department and bureau and county levels was completed and the number of leading cadres of the Hui and other minority nationalities showed a notable increase. Among the principal leadership cadres in the standing committee of National People's Congress and the people's government of the autonomous region, cadres of the Hui nationality accounted for 56 percent of the total.

2. The gross industrial production value was 1.6 billion yuan, establishing the highest record in history. The rate of increase of profits greatly exceeded the rate of growth of production value. Realized profits were four and a half times the total of the previous year.

3. Agriculture continued its 4th year of abundant harvest. Total foodgrain production was around 2.8 billion jin, establishing the highest record since the formation of the autonomous region 25 years ago and achieving the target established in the Sixth 5-Year Plan ahead of schedule.

4. The financial receipt plan of the year for the autonomous region was exceeded by about 20 percent. The cumulative receipts totaled 168 million yuan, an increase of 19.1 percent over the previous year.

5. The afforestation of mountain and river areas covered 700,000 mu, an increase of more than 360,000 mu over the previous year. Grass planting covered 350,000 mu, an increase of 120,000 mu over the previous year. Both were the highest records in history.

#### Henan

1. Five breakthroughs appeared in the agricultural production and procurement in the province. Total foodgrain production broke through the 50-billion-jin mark (reaching 56 billion jin). Increased production over the previous year broke through the 10-billion-jin level. Foodgrain procurement by requisition broke through 10 billion jin. And total production of both cotton and oil materials broke through the 10-million-dan mark.

2. Raw coal production in the province exceeded 60 million tons, establishing a record high in history.

3. The construction of our country's first factory for the production of polyamide fibre screen cloth, the Pingdingshan Polyamide Fibre Screen Cloth Plant, was completed and started production. With a designed production capacity of 13,000 tons of polyamide fibres screen cloth, this plant has changed the situation of a long dependency on imports for this principal material in the manufacture of tires.

4. Through joint research, scientific and technical personnel and peasant technicians summarized "the regions for different ecological types of wheat and their technical growing processes in Henan Province." This is an important and pioneering scientific and technical achievement in the country in the technology of ecological application. It provides an example of changing "administrative agriculture" to "scientific agriculture." It facilitates wheat production based on local conditions and guidance based on the type of wheat involved and it prevents giving direction blindly, thus resulting in notable economic benefits.

5. Wang Yongmin [3769 3057 3046], an engineer in the Bureau of Science and Technology of Nanyang Prefecture, and his assistants successfully introduced into the microelectronic computer a Chinese character coding scheme of 26 keys of 5-stroke character forms. The result signifies an important breakthrough in using Chinese character coding in electronic computers.

#### Guangxi

1. Successfully battling serious natural disasters, total foodgrain production reached 27.12 billion jin, establishing a record high in history and achieving the target in the Sixth 5-Year Plan ahead of schedule.

2. In the state's priority construction project, the Mumungshui He staircase power station in Guangxi, the first 100,000-kW generator set of the Dahua hydroelectric station was completed and joined the electrical network for power generation. The Nanning Flat Glass Plant with an annual production capacity of 1.2 million standard cases of glass was basically completed. The installation of important equipment was finished and trial runs were continuing.

3. The main part of construction was completed on the seven 10,000-ton-class deepwater berths of Fangcheng Harbor on the north side of the bay. The first two berths were put into operation and the harbor was formally opened on 1 October. When the entire harbor is completed in 1986, it will have an annual cargo loading and unloading capacity of about 4 million tons.

4. Twelve higher teacher's colleges were established in the autonomous region. Of the 12, 11 are separately located in 7 prefectures and 4 municipalities. The other one, the Guangxi Youjiang Specialized Nationality Teacher's College, is located among the Zhuang nationality people in Baisezhen.

5. In international competitions, Guangxi athletes won 34 gold medals, 15 silver medals and 14 bronze medals in gymnastics, ping pong, hand ball,



weight lifting, diving, swimming, water polo and sailing, placing them among the best in the country. In the Fifth National Games, weight lifter Wu Shude [0702 2422 1795] broke the world's snatch record for the 56-kg class.

## Xinjiang

1. A "nationality unification month" and various united nationality friendship activities on a mass basis were started in the entire autonomous region. Education on nationality unification was normalized and systematized. The relationship among nationalities entered its best historical period and a new situation in nationality unification emerged.

2. Total foodgrain production was 8.6 billion jin, establishing a new record in history. Xinjiang became the only province or region in the northwest that did not eat foodgrains shipped in from the outside.

3. At the end of the year, more than 30 million head of livestock were in the pens. Total meat production was 165,000 tons. Both figures were the highest of any year.

4. On the foundation of the large turnaround of financial receipts in 1982, another relatively large increase was registered in 1983. Total receipts reached 520 million yuan, exceeding the original plan by 120 million yuan and achieving the 1985 target in the Sixth 5-year Plan 2 years ahead of schedule.

5. Sales of various types of meat totaled 67,000 tons, establishing a record high in history. The per-capita sales of principal-byproduct canned foods and sweets greatly exceeded the national average. The supply of vegetables was ample with an increase of delicate vegetables while prices basically remained stable at the 1978 level. The market in the entire autonomous region was the most prosperous in more than 10 years.

## Zhejiang

1. Output value of state-operated industrial enterprises within the budget was 10.946 billion yuan, sales receipts totaled 10.673 billion yuan and realized profits totaled 1.451 billion yuan, representing an increase of 12.65, 12.05 and 11.05 percent, respectively, over the previous year, achieving the "three in-steps" and establishing the highest record in history.

2. The state's priority construction projects, the two generator sets with a total installed capacity of 250,000 kW in the first-stage construction of the Taizhou power plant, was completed ahead of schedule and joined the network for power generation.

3. The new rice variety, "yuan feng zao," cultivated by the provincial academy of science using nuclear energy radiation induction techniques, won the first-class invention award of the state. This variety ripens early and

has a high yield and a high resilience at its seedling stage. It has solved the seasonal contradiction between early and late rice and it has been widely promoted in Jiangsu, Anhui and four other provinces and one municipality.

4. The democratic parties and associations of industry and commerce in Zhejiang Province developed 27 various kinds of schools with more than 660 classes in 96 specializations. Enrollment in 1983 was more than 42,900 students. In the 5 years since the development began, more than 21,500 students had finished their studies.

5. In international and domestic competitions, Zhejiang athletes won 76 gold medals. Lou Yun [2869 0061] and Li Lingwei [2621 3781 5588] each won two gold medals, the former in the 22d World Gymnastics Championship and the latter in the 1983 World Championship.

#### Yunnan

1. Total industrial and agricultural production value increased by 8.7 percent over the previous year, 11.6 percent in industrial growth and 5.1 percent in agricultural growth. Total labor productivity of industrial and communications enterprises increased by 10 percent over the previous year, breaking through the 10,000-yuan level for the first time.

2. Sixty-five million mu of mountain land for self-retention were marked off, 86 million mu of responsibility mountain land and 25 million mu of grass mountain land were firmly established and the rotation of about 10 million mu of land to lie fallow was fixed, which added up to a total of 186 million mu of land. Compared the previous year, afforestation of waste mountain land increased by 37 percent and forest fire disasters decreased by 58 percent. The development of wasteland by the destruction of forests and indiscriminate cutting of trees was basically put under control.

3. The state's priority construction project, the first-stage construction of the Kunming sodium triphosphate plant, was completed and its trial run was successful. When the second stage construction of this plant is completed, its production of pentasodium phosphate will basically satisfy the production of pentasodium phosphate will basically satisfy the production of laundry powder in the country.

4. The enrollment of students of the 24 minority nationalities in the province increased to 26.2 percent of the total enrollment in 1983, approaching the ratio of the minority nationality population to the Han population. More than 1,700 students of minority nationalities were accepted by higher and specialized institutions in and outside the province during the year, establishing a new record in the educational history of the nationalities of Yunnan.

5. The planting of the "Dian Yu No 1" superior-variety round-grained nonglutinous rice was increased to more than 68,000 mu in 1983 with an average yield of 1,200 jin.

5974

CSO: 4007/131

## ECONOMIC MANAGEMENT

### INCREASE OF TAXES, PROFITS WITH OUTPUT VALUE DISCUSSED

Beijing **CANMO JINGJI** [FINANCE, TRADE AND ECONOMICS] No 3, 11 Mar 84 pp 1-6

[Article by Ma Hong [7456 3163]: "Taxes and Profits Must Increase in Step With Increase of Output Value"]

[Text]

(I)

Taxes and profits must increase in step with output value. This has been an important problem in the social and economic livelihood of our country in recent years. Currently, the economic situation in our country is very good. Important accomplishments have been made in economic construction in the past year. Industrial and agricultural production has increased on a large scale. There has been some expansion in the scale of priority construction and the people's livelihood has further improved. The 1985 targets of the principal components of Sixth 5-Year Plan have been achieved 2 years ahead of schedule. At the same time, some difficulties and problems also exist. The principal one is that economic benefits, especially the industrial economic benefits, have not improved notably. An outstanding reflection of this is that the rate of increase of taxes and profits has lagged far behind that of output value. When we say "increase in step," it generally means that the two increase largely at the same rate. For instance, with every percent of increase of output value, taxes and profits should also increase roughly at the same rate or even at a slightly higher rate. The 12th Party Congress of the CPC has presented the gigantic goal of achieving a quadrupling of the total industrial and agricultural production value by the end of the century on the prerequisite of a continuous improvement of economic benefits. It has also asked that "the entire economic work be moved on to the track with improving economic benefits as its focal point." However, currently our economic work has not properly reached the stage of using the improvement of economic benefits as the focal point. The increases in taxes and profits of the important departments of our national economy, especially the industrial departments, are still falling behind increases in output values. In 1982, the gross production value of state-operated industrial enterprises within the budget increased by 6.8 percent over the previous year, but their realized profits decreased by 0.5 percent and profits turned over decreased by 4.4 percent. For each 100 yuan of gross industrial production value, 21.09 yuan in profits and taxes were turned over to finance, a decrease of 1.39 yuan, or 6.1 percent, from the year before. If the objective element of transferred profits is discounted and the computation

is made on comparable lines, the total realized profits and taxes of state-operated industrial enterprises within the budget increased by only 3 percent over the previous year, which was not quite half of the rate of increase of output value. The gross production value of state-operated industrial enterprises within the budget increased by 9.3 percent in 1983 over the previous year, but realized profits and taxes increased by only 6.3 percent during the same period. The profits and taxes turned over for each 100 yuan of output value decreased by 0.85 percent over the year before. At the same time, deficit extent and actual deficits were still not small. In 1983 the various regions and various departments of our country achieved notable results in making up deficits and increasing surpluses. The deficits of state-operated industrial enterprises were down by 34.6 percent over the previous year. This was a reduction of 1.48 billion yuan in the deficits, although the deficits still amounted to 800 million yuan. This has been an important reason for the slow rate of increase of financial income and the shortage of construction funds in our country in recent years, affecting the accelerated progress of priority construction and the replacement work and reconstruction of existing enterprises.

Under the socialist system, the results from the utilization of the entire funds within a definite period of time (for instance, 1 year) and the amount of profits and taxes received during the period, or the profit and tax rate on funds or surplus profit rate (profit rate on funds in a broad sense), are the overall reflection of the benefits of economic activities. The funds-profit and tax ratio reflects not only the results of labor consumption (lowering the cost of products will increase the profit and tax rate) but also the results of the use of funds. The funds of a socialist state are the results of hard labor by the working people and must be greatly treasured and rationally utilized. Minimum funds should be used to produce maximum surplus products. Thus, laying stress on economic benefits means ultimately laying stress on the results of the use of funds, guaranteeing a definite level of surplus profits and preventing an abnormal increase of the surplus profits. And to achieve an in-step increase of taxes and profits and output value<sup>(1)</sup> is exactly the most important condition of guaranteeing the level of surplus profits. When the amount of funds used is set and as long as taxes and profits can increase in step with output value and, at the same time, deficit enterprises and the deficit figure either do not increase further or show a decrease or even show the extent to which the enterprises make up their deficits or increase their surplus profits, the profit and tax rate or profit level on funds will not come down and have a chance to increase. This shows that achieving an in-step increase of taxes and profits with output value is a realistic need for the success of the Party Central Committee's total effort to make up deficits and increase surplus profits. It will be an important

<sup>1</sup> Here we are leaving out the lever effect of taxes and profits under special conditions. For instance, in order to concentrate its efforts on basic construction (where the profit and tax level is relatively low), the state may plan to lower the rate of increases of profits and taxes of certain industries and certain products in a certain period of time so as to facilitate the healthy development of the entire socialist economy and also to create good conditions for future development.



sign that the economic work has turned on to the track which makes the improvement of economic benefits its focal point and, consequently, it is also an important task in thoroughly carrying out the spirit of the 12th Party Congress of the CPC on the industrial and communications fronts.

In terms of the state-operated industrial enterprises within the budget alone, achieving an increase of taxes and profits in step with output value will mean an increase of 2.6 billion yuan and will have a specially important significance, particularly under today's conditions. If the taxes and profits of industry could have increased in step with output value last year, the financial receipts of the state would have increased by 2.6 billion yuan. This would have been a help in overcoming the financial difficulties, rapidly increasing the financial income and better guaranteeing the funding needs of socialist modernization construction. It is also exactly for this reason that it is necessary to pay special attention to turning over taxes and profits to the state treasury.

However, on the question of whether it is possible for taxes and profits to increase in step with output value, the ideological understanding of some comrades is still not completely resolved.

Some comrades believe that with technological progress and the improvement of the organic structure of funds, the decrease of the surplus profit rate is a necessary trend and the increase of surplus profits (including taxes and profits) will be slower than the increase of output value. In analyzing the capitalist economy in his "Capital," Marx actually pointed out this trend. However, Marx at the same time also pointed out: "There must be the effect of certain counter-influences to disrupt and counteract the effects of this general law so that it will have only a trending nature."<sup>(2)</sup> Among them, the influence of the theory that "the various elements of constant capital become less costly" is particularly worthy of the attention of our country, which is aiming for socialist modernization. This influence will have a more and more important effect in preventing a decrease of the profit rate. This is because modern technological advancement is no longer reflected principally in the replacement of manual labor by machinery but in the conservation of production materials, including the factor that "various elements of constant capital become less costly." Even if some precision machinery and equipment are much more costly than the original machinery and equipment, their efficiency is even higher. Thus, the shared depreciation of each product is still smaller than before and it still reflects a conservation of production materials. Because of this reason, the organic structure of capital in the economically developed countries has not continued to increase since World War II, and this is the proof. This type of technological advance is also beginning to show its importance in our country each day and it is preventing and counteracting the decrease in the profit rate.

The reasoning is very clear. Speaking of each industrial enterprise and under the condition that increases in prices and wages are lower than the

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2 "The Complete Works of Marx and Engles," vol 25 p 258.

increase of labor productivity, the production of greater quantities of products with the same equipment, raw materials, supplies, fuel, labor and management personnel will result not only in a higher rate of increase in the net output value of the enterprise than that of its gross output value but also in a higher rate of increase of its taxes and profits than that of its output value. With our economic work gradually turning on to the track with improving economic benefits as its focal point as well as advances in technology each day, it will be possible for the industrial departments to achieve a higher rate of increase of their net output values than that of their gross output values. It will be possible to guarantee that the rate of increase of taxes and profits will be equal to and higher than that of output value.

The experience proves that to achieve an increase in taxes and profits in industrial production in step with the increase of output value or even a higher rate of increase of taxes and profits than that of output value can be done. As an example, because of leadership attention, rigid requirements and effective measures, the industrial production values of the 13 provinces and regions of Shanxi, Nei Monggul, Jilin, Shandong, Hunan, Guangdong, Sichuan, Guizhou, Yunnan, Gansu, Qinghai, Ningxia and Xinjiang in the first 10 months of 1983 were 6.7 to 22 percent higher than the same period of the previous year but their realized taxes and profits increased by 7 to 59.7 percent over the same period of time. Looking at the individual industries, the gross industrial production value of state-operated machine industry enterprises from January to November 1983 increased by 20.6 percent over the same period of the year before but the realized taxes and profits increased by 28.8 percent during the same period. Again, looking at the iron and steel industry, the output value of the iron and steel enterprises in the country in 1982 increased by 6.64 percent over the previous year, but profits and taxes increased by 14.15 percent during the same period. Compared to the same period of the previous year, the output value of the large and medium iron and steel enterprises in the country increased by 9.93 percent during January to November 1983 while profits and taxes increased by 14.67 percent. As far as enterprises which have achieved increases in taxes and profits in step with their increases in output value are concerned, the number is much larger.

There are also some comrades who believe that enterprises, industries and regions which were more backward to start with have a greater potential and can achieve increases in taxes and profits in step with output value more easily. On the other hand, it is difficult for the more advanced enterprises, industries and regions, with their more advanced technical and economic indicators, to achieve increases in taxes and profits in step with their output values. This belief does not have an adequate basis. Based on the actual conditions in our country, all enterprises, industries and regions, including the more advanced ones, have very large potentials. As long as we fully recognize the potentials which exist objectively and adopt appropriate measures, we can develop these potentials and achieve the in-step increases. The fact is that some more advanced enterprises and industries have already achieved increases in taxes and profits in step with output values or have even achieved increases in taxes and profits greater than the output values. For example, the Shoudu [Capital] Iron and Steel Company is a model enterprise with good management and high economic benefits in the country. In 1982 this enterprise increased

its gross production value by 9.5 percent over the previous year but increased its realized taxes and profits by 20.19 percent in the same period. Comparing 1983 with the year before, its output value is estimated to have increased by 3.47 percent while its taxes and profits are estimated to have increased by 16.63 percent, much higher than its rate of increase of output value. Another example is the No 2 Automobile Plant whose output value from January to October 1983 increased by 23.24 percent over the same period of the year before while profits increased by 31.26 percent. This shows that even for the advanced enterprises, taxes and profits can still increase at a much higher rate than output values can. These examples and the examples of increases in taxes and profits by the entire machine and iron and steel industries similarly show that there is no adequate basis to believe that it is difficult for the more advanced industries to achieve increases in taxes and profits in step with increases in output values. If advanced enterprises and industries can achieve increases in taxes and profits in step with increases of output values, why can't the advanced regions?

However, we should also see clearly that in terms of the entire country, we are a long way from the requirement of increasing taxes and profits in step with output values. This requires a concrete analysis of the objective possibilities of achieving increases of taxes and profits in step with increases of output values and of the problems that require study and solutions in order that we may strive for an in-step increase on a wide basis or even for a greater increase in taxes and profits than in output values.

## (II)

At present, it is entirely possible for our country's industrial production to achieve an increase of taxes and profits in step with an increase of output value. Our industrial enterprises have the favorable conditions to achieve this goal and even to achieve a greater increase in taxes and profits than in output value.

This is because the increase of taxes and profits in step with an increase of output value is really the increase of surplus products in step with the increase of production or, specifically, the increase of  $C$  (transfer value of production materials) +  $V$  (value created by necessary labor) +  $m$  (value created by surplus labor) in the production process in step with an increase of  $m$ . Under general conditions, when production has developed and the surplus product rate does not change, it will be possible for the increase of surplus products to be in step with the increase of production. And under many conditions, especially when the original production capacity is not fully utilized, the consumption of raw materials, supplies and fuel is very high and there is a very large potential for production development, the promotion of production development through uncovering the internal potentials of an enterprise will bring with it an improvement of the surplus product rate and, specifically, the achievement of a rate of increase of surplus products (reflected in taxes and profits) that exceeds the rate of increase of the output value.

Many factors affect the increase of taxes, profits and output values. They are all comprehensively reflected in the movements of C, V and m or the three parts which make up the product value. Therefore, it is necessary to analyze the conditions and movements for the increase of taxes and profits in step with the increase of output value from the three areas of C, V and m.

Let us first analyze C. C is the transfer value portion of production materials. It covers mainly the depreciation of fixed assets and the costs of raw materials, supplies, fuel and motor power.

The notable characteristic in the present industrial production of our country is that the existing production capacities of many enterprises are not fully developed. This is particularly true with many processing industries whose operations are too large and do not operate fully. The equipment utilization of many enterprises is only 50 to 60 percent. If we increase equipment utilization and, at the same time, pay attention to technical advances, adopt advanced technology and reduce the consumption of energy and raw materials, the shared depreciation of fixed assets, costs of raw materials, materials and fuels and other fixed costs of a unit product will be reduced as a result of increased output. In this manner, we can achieve an increase of output value and, with it, a decrease in the cost of a unit product on the condition that existing equipment and total consumption of energy sources, raw materials and supplies remain unchanged. In volume 3 of "Capital," Marx said: "When the quantity of the material element of constant capital remains unchanged or increases, each reduction of the relative cost of constant capital (refers to the relative cost for a single commodity--author) has the effect of improving the profit rate."<sup>(3)</sup> This reduction of material consumption of products is exactly an important reason why the industrial fronts of regions which were originally more backward economically and had a lower economic benefit have been able to achieve, more notably in recent years, an increase of taxes and profits in step with an increase of output value or even a higher rate of increase of taxes and profits. We must recognize that the lack of full development of the production capacities of the enterprises, low equipment utilization, low utilization of energy sources and high consumption of energy, raw materials and supplies are not the phenomena of only some of the regions. Even in regions where the economy is more developed and economic benefits are relatively high, the phenomena also exist in varying degrees. This shows that the potential for us to improve economic benefits in this area is very large.

At present, many enterprises occupy an excessive amount of circulating funds and the turnover of funds is slow. The circulating funds occupied by state-operated industrial enterprises for every 100 yuan of production value were 28 yuan in 1965 but increased to 32 yuan in 1981. The turnover was only 75 days in 1965 but required 114 days in 1981. If we increase the turnover rate of circulating funds, we can accelerate the rate of increase of taxes and profits. This is because the acceleration of the turnover rate of circulating funds means a better utilization of raw materials, improvement of sales of

3 "The Complete Works of Marx and Engels" vol 25 p 266.



products, reduction of the shared outlay of interests of unit products and reduction of management, warehousing and other costs, all of which can increase taxes and profits.

Next, let us analyze V. V refers mainly to wages and bonuses of workers.

When the original production capacity has not received full utilization, the increase of output value of an enterprise generally can be achieved without an increase of the labor force. At present, this can be achieved if the workers can more fully utilize their work time. It does not require an increase of the labor force or above-norm labor effort. In this manner, the rate of increase of wage outlays will be slower than the rate of increase of output value, and the shared outlay of wages in the unit cost of products will be reduced, thereby increasing the level of surplus profits and achieving an increase of taxes and profits in step with the increase of output value or even a higher rate of increase of the former than the latter.

In this area, we should recognize that the phenomenon of lost control over wages and bonuses is rather common at present. This is an important factor of the difficulty in lowering costs and in preventing the increase of taxes and profits. Since 1979, the rate of increase of the wages of workers in industrial enterprises owned by the whole people has exceeded the increase of labor productivity. Wages increased by 24.7 percent in 1981 over 1978 and the increase of bonuses was even faster. However, during the same period, the labor productivity increased by only 1.5 percent. In order to solve the difficulties faced by the workers in their livelihoods, created by the lack of adjustment of their wages over long periods of time during the 10 years of chaos, the more rapid the increase of wages and bonuses in the first few years was necessary, but it cannot go on for long. Since 1983, wages and bonuses have still exceeded the plan, especially the outlay of bonuses. If not resolved through the adoption of firm and effective measures, this momentum will undoubtedly affect the realization of an increase of taxes and profits in step with an increase of the output value. On the other hand, the proper solution of this problem will create the condition for the increase of taxes and profits in step with the increase of the output value.

Finally, let us analyze m. m is the value created by the surplus labor of the workers. It is the source of taxes and profits. A state-operated enterprise is an enterprise owned by the whole people. This determines that a very major part (for instance, above 80 percent) of the surplus products of state-operated enterprises are turned over to the state in the form of taxes and profits in order to satisfy social needs. (This is the present situation. When the change from profits to taxes is put into practice, it will be mainly in the form of taxes.) If a very large part of the profits realized by an enterprise were retained in the enterprise, it would affect the necessary centralized funds of the state, and needed funds for socialist modernization construction could not be guaranteed. Consequently, when we carry out the reform of the economic system, every major reform, such as the one currently being carried out on changing profits to taxes, must take correct care of the relationship between the state and the enterprise and must pay attention to creating conditions to guarantee that the state receives the large share and

to guarantee that a very major part of the surplus products created by an enterprise are turned over to the state. On this basis, as long as the enterprise improves its operation and management, increases its labor productivity and lowers its cost, it will be possible to achieve an increase of the taxes and profits turned over to the state in step with the increase of output value.

For a long period now, the areas of deficit of our country's state-operated industrial and commercial enterprises have been large and the total deficit has been high. The enterprise's profit rate on funds also has been relatively low. Thus, the potential for making up deficits and increasing surplus profits is very large and so is the potential for increasing the surplus product. In 1982, deficits of state-operated industrial enterprises reached 4.2 billion yuan and the number of units with deficits exceeded one-fifth of all within-budget state-operated industrial enterprises. A reduction of several billion yuan of deficits a year from various areas through the work of making up deficits and increasing surplus profits, thereby increasing the financial receipts by several billion yuan, is entirely possible. This will effectively guarantee an increase of taxes and profits in step with an increase of output value. For this reason, the Party Central Committee and State Council announced in the fall of 1983 that the leaderships of various regions and departments must consider making up deficits and increasing surplus profits as an important work to be placed on the daily agenda for discussion and as one of the main tasks of enterprise reorganization in 1983 and 1984. At the same time, rigid measures were established. For example, industrial enterprises are required to reduce their deficits by more than half in 1984 as compared to 1983 and all operating deficits must be basically eliminated by the end of the year. They also ask that enterprises with surplus profits strive to increase their surplus profits and that deficits in such enterprises incurred by any products also be reduced on a large scale. It was also stipulated that no compensation be made to any new deficit operations and for any new deficits after the notice on targets for making up deficits was issued by the Ministry of Finance and State Economic Commission on 25 September 1983. The thorough and determined implementation of these policy decisions of the Party Central Committee and State Council will definitely achieve good results. In fact, since 1982, some provinces, municipalities and regions have more conscientiously taken hold of the work of making up deficits and increasing surplus profits and have achieved notable results. During the first half of 1983, Jilin Province announced some simple rules for enterprises operating with deficits with the rigid requirement that any such enterprise which did not make up their deficits on time would be closed, suspended from operating, merged with other operations or converted to other production activities and that the secretary and plant manager would be dismissed from their posts on the spot. Because of the effectiveness of the measures, by September 1983 the number of enterprises operating with deficits in the province had been reduced by 50.2 percent compared to the same time a year ago. The total deficit of within-budget industrial enterprises in Jiangxi was reduced by 32.5 percent from January to September 1983. Liaoning Province also took on the work of making up deficits and increasing surplus profits as a hard battle. By the end of September 1983, 288 industrial enterprises in the province had taken off their deficit labels. Compared to the same time a year ago, the number of operations with deficits

had increased by 50.5 percent and the total deficit had decreased by 40 percent.

### (III)

In order to change the possibility of achieving an increase of taxes and profits in step with, and even at a higher rate than, the increase of output value into a reality, firm and effective measures should be adopted and various practicable difficulties and problems preventing such an achievement should be solved.

The most urgent task is to improve the quality of the enterprise, which includes improving the quality of its leadership group and its staff and worker ranks, improving its technological quality (key to the development of new products and improving quality of products), improving the quality of operation and management, enforcing rigid financial and economic discipline and strengthening cost accounting. To accomplish this requires reorganizing the existing enterprise and, at the same time, taking a firm hold on technological advances and making operation and management more scientific. In view of the low level of operating management in existing enterprises, it is presently possible to improve their economic benefits greatly through proper enterprise reorganization and management improvement alone. However, in the long run, technological advances must be made. Technological advances can provide endless strength and can be a fountainhead for the improvement of economic benefit. At present, we already have a small number of enterprises that have reorganized its internal structure into three systems, allowing technological development to be independent and also to be closely united with production operations and political work. This strengthens the work of technical progress. It is very farsighted and has a great future.

Within the entire national economy, it is also necessary to strengthen and improve management, thus creating good external conditions for the enterprises to improve their economic benefit. For instance, production planning and economic benefit planning must be integrated. We cannot operate on the basis that products are always managed in the ministry, profits are always managed in the province and output value is always managed in the municipality, that targets set by the three are mutually contradictory and that the enterprises do not know what course to pursue. When the state transmits planned targets to the enterprises, it must transmit the same to the ministry in charge and the provinces, municipalities and regions involved at the same time, so that all will be responsible for arranging the production plans and evaluating the financial plans. Another example is to open up the circulating link. The enterprises are asked to produce according to needs, but it is also necessary to provide regularly the enterprises with market information and forecasts, to open up various circulating channels and to oppose regional blockades so that products for real social needs and with rational prices can be sold as rapidly as possible. In order to allow the enterprises time to make up their deficits and increase their surplus profits, certain measures may be adopted in the next 2 years to rationalize the external conditions that the industrial enterprises depend on to organize their production and to make these conditions relatively

stable in order to facilitate the work of the enterprises in making up their deficits and increasing their surplus profits. Some of the practical problems currently affecting the increase of taxes and profits in step with the increase of output value must also be studied and resolved.

First, the problem of rationalizing the product structure and the enterprise organizational structure must be solved. In the last few years, the rate of increase of our industrial production has not been slow. However, increases in taxes and profits have been very slow. However, increases in taxes and profits have been very slow. An important reason is that the product structure and the enterprise organizational structure are not sufficiently rational. For example, the bicycle is a high-tax and high-profit product. However, because of limitations in plant space, equipment and investment, the name brands of "Yong Jiu," "Feng Huang" and "Fei Ge" have not been able to increase their output rapidly enough. (They have the highest level of taxes and profits in the bicycle industry.) On the other hand, the enterprises producing less known and inferior brands have greatly expanded their production capacity and increased their output on a large scale. (They have a very low level of taxes and profits in their industry and some even operate with a deficit.) The result is that while the overall bicycle production and output value have increased very rapidly and taxes and profits have also had some increases, the levels of taxes and profits relative to output value have actually decreased, with the rate of increase of taxes and profits slower than that of output value. A similar situation also exists for some other high-tax and high-profit products, such as tobacco, alcoholic drinks and textiles. Consequently, a determined effort must be made in macroeconomic guidance to overcome and prevent the continued development of the phenomenon of small ones crowding out the large ones and of backward ones crowding out the advanced ones. Otherwise, the levels of taxes and profits of some industries will decrease and the realization of the increase of taxes and profits in step with the increase of output value will be affected. At the same time, rational arrangements must be made in the development of light and heavy industries. The rate of taxes and profits on funds in light industry is four times that of heavy industry (1981 figure). Maintaining a rational structure and appropriate ratio of light and heavy industries and not allowing heavy industry to grow one-sidedly, as before, and thus crowd out light industry is also an important condition to achieve an increase of taxes and profits in step with the increase of output value in the entire industrial department.

Next, the indiscriminate raising of prices for production materials makes it difficult for the enterprises to handle and brings many difficulties to efforts at making up deficits and increasing surplus profits. Based on an investigation by Liaoning Province of the 90 large enterprises which provide 80 percent of the province's profits, their realized profits in the first half of 1983 were 2.01 billion yuan, representing a reduction of 9.9 percent compared with the same period of the year before. A profit reduction of 330 million yuan occurred as a result of price increases of certain raw materials, supplies and fuels and other factors acknowledged by finance, representing 14 percent of the profits that should have been realized. After the State Council and the Central Discipline Inspection Commission sent out an urgent notice on 3 July 1983 to curb indiscriminate price increases for production materials



and goods, the situation has improved rapidly. The present problem is that if we do not control capital construction investment and consumer funds appropriately and cannot achieve a basic balance in financial receipts and expenditures and if we have to engage in financial issuances, it will be difficult to prevent increases in the prices of production goods and materials. Even if we can prevent it for a time, we cannot do it over any length of time because financial issuances will undoubtedly bring with it an inflation of prices, and the prices of production goods and materials will be the first to increase. Of course, the enterprises can alleviate losses from the price increase by improving their operating management, and some advanced enterprises have definitely done this. However, we must also recognize that it is a very difficult matter for all the enterprises to control the effect of a large increase in prices of production goods and materials on production costs through the improvement of operating management. This is also a problem that requires proper study and solution in our future work.

The next is the question of products having good sales outlets. Whether a product has good sales outlets has a very important relationship with whether the production of an enterprise meets the needs of society and whether taxes and profits can be realized. In the past, we were engaged in monopolized procurement and contract sales, and the enterprises were not really concerned if their products had good sales outlets. Now many products are ordered, procured by choice or sold on the market. Thus, whether products have good sales outlets, whether the value of the products can be realized and whether funds can turn over normally and more rapidly have become extremely important. Even for products which are now still under monopolized procurement and contract sales, whether they have good sales outlets is not unimportant. If a product does not have good sales outlets, overstocking and waste will obviously be created. Thus, even when the enterprise has realized its value and taxes and profits, this type of income of the enterprise is actually an imaginary number from society's point of view. At the same time, if a product never has good sales outlets, the departments involved in goods and materials or the commercial departments also cannot continue the monopolized procurement and contract sales forever because these departments must also pay attention to economic benefit. The problem we have now is that many of the products in many enterprises are old products which have been produced for several dozen years. The backwardness of these products is very serious and, with the development of production and technology, many of them obviously cannot meet the needs of the society and consumers. Investigations have shown that of the 8,279 products under the 9 bureaus of industry of Tianjin Municipality, only 3.1 percent meet international standards. Of the 2,179 products under the first machinery bureau system, about 40 percent are in the declining stage. Of the 16,900 products being produced in Liaoning Province, only 1.6 percent meet international standards. In analyzing 393 products in 32 enterprises, Shenyang Municipality found that about 47 percent were noncompetitive and overstocked with slow sales and needed to be eliminated. At present, all the more advanced enterprises have installed product development systems. Before one product has reached its declining stage entirely, its replacement product has already entered its growth stage. Thus, the enterprise will always have products in their ripened stage for the market and it maintains a relatively strong competitive edge for its products with good sales outlets. Basically,



this problem must be solved by paying attention to technological advances and through technical reconstruction of existing enterprises.

In addition, the unhealthy trend of indiscriminately placing people in enterprises must be firmly curbed in order to reduce the burden of the enterprises. The labor system must be reformed to overcome further the phenomenon of eating from "the big pot" and holding "the iron bowl." These will also have an important significance in achieving an increase of taxes and profits in step with the increase of output value.

In summary, every enterprise, department and region must put their feet on the ground, strive to create various conditions, overcome various difficulties and achieve increases in taxes and profits in step with the increase in output value as quickly as possible. Those that have achieved this requirement must further strive for increases in taxes and profits to exceed the increase in output value since a dual increase is only a general requirement. Rationally, when basic production conditions and the rates of taxes and profits remain the same, taxes and profits should increase faster than the output value. This would be truly the continuous improvement of economic benefit and a unification of rate and benefit. We must rouse ourselves and strive for greater contributions to society in creating greater wealth for the state and to the socialist modernization construction and for the fulfillment of the gigantic historic task presented by the 12th Party Congress of the CPC with distinction!

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CSO: 4006/453

## FINANCE AND BANKING

### LIAONING'S 1983 BUDGET IMPLEMENTATION REPORTED

Shenyang LIAONING RIBAO in Chinese 25 Mar 84 p 1

[Article: "Success in Focusing on Economic Results; Favorable Development of Financial Conditions--Report of Gao Chenghe [7559 2110 0735], Deputy Director of Liaoning Provincial Finance Department, on 1983 Final Accounting and 1984 Budgetary Estimate at the Second Meeting of the Sixth Provincial People's Congress"]

[Text] At the second meeting of the Sixth Liaoning Provincial People's Congress in the forenoon of 23 March, Gao Chenghe, deputy director of the Provincial finance department, made a "Report on the 1983 Final Accounting and 1984 Budgetary Estimate of Liaoning Province" for scrutiny by the delegates.

Gao Chenghe made the following statement: In 1983, the people of all nationalities in the province, under the inspiration of the spirit of the 12th Party Congress and the leadership of the provincial party committee, earnestly implemented the principle of "readjusting, restructuring, consolidating and improving," centralized financial and material resources in line with the important decision to ensure key projects, implemented the party's various other policies, focused on economic results and made rich achievements on all fronts. The annual plan on total industrial and agricultural output value was completed above norm, and the results of the budget implementation were as follows: Revenue tasks were completed above norm; expenditures were kept within budget; both revenue and expenditures showed fairly large increases compared with the previous year, guaranteeing the development of all kinds of economic constructions and of scientific, cultural, educational and public health enterprises; the province achieved a balance of revenue and expenditures, with a slight surplus; and financial conditions are improving. The province completed 107.3 percent of the budget revenue, an increase of 8.9 percent over the previous year. The major revenues were as follows: The various tax revenues were completed at 107.1 percent of budget, an increase of 8 percent over the previous year; the profit delivered by state-owned enterprises (including income tax) exceeded the budget by 9.1 percent, an increase of 5 percent over the previous year; and 83 percent of the total budget expenditures were completed, an increase of 10.4 percent over the previous year. The major expenditures were as follows: The actual completion of capital construction investments allocated

in local budgeting was 83 percent of budget, an increase of 13.9 percent over the previous year; agricultural expenditures were 93.9 percent of budget, an increase of 2.9 percent over the previous year; and cultural, educational, health and scientific expenditures were 96 percent of budget, an increase of 12.9 percent over the previous year. There were fairly large increases over the previous year in urban maintenance and construction, pension and social relief and administrative management expenses.

When discussing the 1984 budgetary estimate, Gao Chenghe said that 1984 is a crucial year to strive for a basic improvement in financial and economic conditions. We must exhaust all means to raise the economic results, increase revenue, plan the use of all kinds of funds according to the principle of taking all factors into consideration, guaranteeing the focal points and acting according to our capabilities, maintain a balance of revenue and expenditures and strive for a basic improvement of financial conditions.

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CSO: 4006/460

## FINANCE AND BANKING

### HEILONGJIANG'S 1983, 1984 BUDGETS DISCUSSED

Harbin HEILONGJIANG RIBAO in Chinese 29 Mar 84 p 1

[Article: "Resolution on Heilongjiang's 1983 Final Account and 1984 Budget (Passed 28 March 1984)"]

[Text] After deliberation and based on the report of the budget examination committee, the second meeting of the sixth Heilongjiang provincial people's congress approved the province's 1983 final account and 1984 budget and Vice Governor He Shoulun's [0149 7445 0243] "Report on Heilongjiang's 1983 Final Account and 1984 Draft Budget."

The meeting found that the implementation of the province's 1983 budget was good. In a situation in which the state centralized funds, the enterprises continued to retain profits and the expenditures were considerably increased compared with the previous year, the province achieved a balance of revenue and expenditures with a slight surplus and developed a positive effect in further improving the economic results, promoting culture and education, science and public health and bettering the people's material and cultural lives. However, it must be realized that the results of the use of funds were not obvious, the backwardness of the economic results of the enterprises was not basically changed, the loopholes for the loss and dispersal of revenue were not thoroughly blocked, the various violations of financial and economic disciplines still occurred and the base for a balanced budget was not stable enough. The people's governments and economic departments of the various levels should give adequate attention to these problems, adopt effective measures and solve them as soon as possible.

The meeting found that the 1984 budget fulfills the requirements of the Party Central Committee, State Council and provincial party committee on financial and economic work, that it is positive and safe and that the fairly large planned increases in revenue and expenditures over the previous year embody the principle of guaranteeing the key points and giving consideration to the general plan. The meeting asked the provincial people's government earnestly to strengthen its leadership on financial work, continue the reform of finance and taxation, reinforce financial supervision, tighten financial and economic discipline, focus on the most profitable and most unprofitable enterprises, properly fight the battle to turn loss into profit and improve the economic results, actively promote the development of production, clear

the channels of commodity circulation, enforce strict economy, combat waste, firmly crack down on serious criminal activities in the economic realm, vigorously initiate a new phase in financial and economic work and struggle for the successful implementation of the province's 1984 budget and an obvious improvement of its financial conditions!

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## FINANCE AND BANKING

### DETAILS OF FARM LOANS IN HEILONGJIANG DISCUSSED

Harbin HEILONGJIANG RIBAO in Chinese 31 Mar 84 p 2

[Article: "Interview at Heilongjiang Provincial Agricultural Bank on Certain Policy Issues in Farm Loans"]

[Question] What is the situation of farm loans this year in Heilongjiang? What is the general policy?

[Answer] This year Heilongjiang plans nearly 800 million yuan in farm loans, which is close to last year's level, but the gap between demand and supply remains wide. It is impossible to satisfy the demands of all sides.

As the farm loan funds are on the tight side this year, we must, when making loans, proceed very cautiously, make overall plans, stress the key points and support the superior. In the use of loans, we must first satisfy the needs of such crucial output increase measures as chemical fertilizer and improved varieties. In objectives, we should focus on the specialized and priority households of high commodity rate and large contributions to the state. Meanwhile, attention must be given to the poor households. As a rule, loans will not be issued for purchasing vehicles, farm animals and small tractors, but in case of urgent need, when surplus funds are available, appropriate solutions may be made.

[Question] What kind of people can get a loan? What are the requirements?

[Answer] All peasant households engaged in agriculture, forestry, livestock, sidelines and fishery and those engaged in such pre- and post-production services as processing, storage and transport may apply for loans with the banks and credit cooperatives. The concrete requirements are:

1. Contract households must be in possession of contract agreements, specialized households approvals and industrial and commercial households business licenses.
2. The borrowers' production must conform to state plans, and they must have sources for the raw materials and markets for their products.
3. Their anticipated economic results must be good.

They must be trustworthy and have the ability to make payments on schedule. No loan will be issued to those who fail to observe law and discipline or loaf around and do no decent work. Those who fail to make payments on time without cause will not be granted another loan, and additional interest will be charged on the existing loan.

[Question] Where are loan applications filed? What is the procedure?

[Answer] After the reform of the credit cooperative system in our province, the brigade levels have generally established and strengthened credit stations, and most of them will handle loan applications. Borrowers have no need to make applications outside the village. With regard to the procedure, usually a borrower submits an application, which is evaluated by the credit team and the procedure is handled at the brigade credit station. In places where the brigade has no credit station or is not qualified to issue loans, the application is handled by the agricultural finance officer for the area.

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CSO: 4006/462

## FINANCE AND BANKING

### NEI MONGGOL: REPORT ON 1983 FINANCIAL ACCOUNT, 1984 BUDGET

SK040750 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 2 Jun 84

[Text] At the second session of the sixth regional people's congress, (Li Jingquan), director of the financial department, delivered a report on the 1983 financial account. He said: Last year, our region achieved the best financial revenue record since the PRC's founding. And our region's 1983 financial revenue reached 698.91 million yuan, an increase of 25.9 percent over the annual budget plan, an increase of 175.49 million yuan over the previous year. Last year, the region's total expenditures reached 1,282,730,000 yuan, which was 82.8 percent of the budget, an increase of 12.4 percent over the previous year.

He said that generally, the region's implementation of the 1983 budget was: Revenue exceeded the budget and expenditures fell below the budget, leaving small surplus. Together with the fixed-quota subsidies and subsidies for special purposes from the central authorities, we achieved a balance between revenue and expenditures in the year.

(Li Jingquan) said: The steady growth in industrial and agricultural production laid a foundation for increasing financial revenue and opening up financial resources.

In referring to 1984 talks, (Li Jingquan) said: This is a crucial year for implementing the Sixth Five-Year Plan. We should attend to reforming the financial and tax revenue systems, and actively cooperate with the region and support its urban economic reform. In addition, we should give full play to our region's favorable conditions, and give priority to supporting agriculture, forestry, and animal husbandry. We should invest more funds and efforts in these fields.

(Li Jingquan) also said: We should further support urban and rural collectives and individual economic units in terms of financial and tax revenues.

CSO: 4006/558

## FINANCE AND BANKING

### SHANDONG GUO CHANGCAI'S FINANCIAL REPORT

SK231248 Jinan DAZHONG RIBAO in Chinese 2 May 84 p 2

["Excerpts" of a report on Shandong Province's 1983 financial final accounts and 1984 (draft) budget delivered by Guo Changcai, director of the Shandong Financial Department, at the second session of the sixth provincial people's congress on 21 April 1984]

[Text] Fellow deputies:

Entrusted by the provincial people's government, I am now submitting for discussion a report on the province's final 1983 financial accounts and the 1984 draft budget.

#### 1. 1983 financial final accounts:

In 1983 under the leadership of the aparty committees and governments at all levels, all fronts in our province deeply implemented the guidelines of the 12th party congress and the 4th provincial party congress and conscientiously carried out the resolutions adopted at the 1st session of the 6th NPC and the 1st session of the 6th provincial people's congress. Our industrial and agricultural production and all construction undertakings continued to develop in a sound manner. We further improved our financial situation. The implementation of 1983 financial budget was better than that of 1982. The revenue continued to increase and overfulfilled the state-assigned task. The expenditure continued to rise, surpassing 1978. According to the province's statistical calculations, revenue and expenditure were balanced and the province had a little surplus.

In 1983, the province's revenue was 5.41 billion yuan, overfulfilling the re-adjusted budget plan by 2.37 percent and showing an increase of 10.5 percent over the previous year in terms of comparable standards. Of this, taxes reached 4.289 billion yuan, overfulfilling the budget plan by 2.9 percent and increasing 2.99 percent over the previous year. The income of enterprises (including the income tax of state enterprises) reached 696 million yuan, accounting for 96.78 percent of the budget plan and increasing 84.18 percent. The substantial increases in the income of enterprises were due to their production and income increases and principally due to their reduction of

allowances for cotton and pigskin of over 120 million yuan, and the reduction of losses by state industrial enterprises, totalling over 100 million yuan.

The province sold 218 million yuan of state treasury bonds and collected 306 million yuan to support the construction of key energy and communications projects, overfulfilling the state-assigned plans.

Expenditure reached 3.241 billion yuan, accounting for 91.92 percent of the readjusted budget plan and showing an increase of 10.6 percent over the previous year. Expenditure failed to reach the budget target because of failing to use up all special funds and transferring the surplus to the next fiscal year. Of total expenditure, funds for capital construction and tapping the potentials of enterprises were 506 million yuan, an increase of 25.22 percent. Funds for ordinary construction reached 40 million yuan, an increase of 43.21 percent. Funds for three items of science and technology were 47 million yuan, an increase of 54.46 percent. Agricultural expenditures were 381 million yuan, an increase of 1.42 percent. Funds for cultural, educational, scientific, and public health undertakings were 1.175 billion yuan, an increase of 11.16 percent. Funds for administrative management were 524 million yuan, increasing 12.26 percent. Funds for city maintenance reached 159 million yuan and funds for supporting the disabled, the families of the deceased, and for social welfare were 187 million yuan, registering declines of 5.87 and 4.31 percent respectively from the previous year. Because the central and local governments at all levels temporarily added special funds for urban water supply and disaster relief, expenses in 1983 relatively reduced.

Our province's 1983 balance between income and expenditures is as follows: Its income totaled 3.702 billion yuan, including 2.825 billion yuan in retention from the 1983 gross incomes, 252 million yuan of special funds transferred from 1982, 551 million yuan of various special funds and subsidies distributed by the central authorities, 48 million yuan of special funds appropriated by the central authorities for compensating the losses caused by the price readjustment of polyester cloth, and 26 million yuan of out-of-budget funds collected from prefectures and counties. The province's expenditures totaled 3.664 billion yuan, including 3.241 billion yuan of the 1983 financial expenditure, 48 million yuan of expenses paid for losses caused by the price readjustment of polyester cloth, 375 million yuan of special funds transferred to 1984. The province's final accounts of 1983 showed a near balance between incomes and expenditures and with only the small surplus of 38 million yuan. The province reduced its deficits accumulated over the past many years from 128 million yuan in 1982 to 90 million yuan in 1983.

The better situation that prevailed in the implementation of the province's 1983 budget reflects the steady development of the province's national economy in the course of readjustment and transformations, and is the outcome of the concerted effort of the people, the party committees, and the governments at all levels in earnestly implementing the central authorities' line, principles, and policies. In 1983, the province surpassed the 1982 total industrial output value by 10.4 percent, the 1982 total agricultural output value by 15.4 percent, and the 1982 social commodity retail sales by 14.4



percent, bringing about a favorable condition for better fulfilling its financial tasks. In 1983, by concentrating on increasing economic returns, various localities and departments throughout the province continuously conducted enterprise readjustment and reorganization and technical renovations. They vigorously grasped enterprise consolidation, upgraded enterprise quality, exerted efforts to switch losses to profits, and scored marked achievements in conducting the first phase transformation among state enterprises to pay taxes instead of profit delivery. The province reduced its number of money-losing enterprises from 487 in 1982 to 211 in 1983, and its sum of deficits from 250 million yuan in 1982 to 150 million yuan in 1983. Compared with 1982, the province scored a 20.9 percent increase in its 1983 profits, and a 23.1 percent increase in its profits (including taxes) handed over to the state. In 1983, the province also vigorously strengthened tax collecting work, reinforced taxation organs and tax personnel's contingent, greatly improved revenue management, and increased its sum of rural scattered taxes from 25 million yuan in 1982 to 90 million yuan in 1983. Meanwhile, the province further consolidated financial and economic disciplines, carried out in-depth inspection over taxes, profits and financial affairs, and recovered more than 100 million yuan of illegal retentions. All of this has played an active role in overfulfilling financial tasks and achieving the 1983 balance between incomes and expenses.

In the 1983 expenditures, the province, in line with the strategic priority set forth by the 12th CPC Congress, conducted great support to the three fields of agriculture, energy resource and transportation, and education and science and did a great deal of work in improving managerial affairs, thus, somewhat upgrading the utilization of funds. In supporting agriculture, in addition to ordinary expenditures, the financial departments at all levels also appropriated 108 million yuan of special funds for supporting rural areas in developing a diversified economy, in diverting the Huanghe river water for irrigation, in developing mountainous areas, in conducting water and soil conservation, in building the bases of rapidly growing and fruitful forests, and in conducting aquatic breeding. Practice has shown that these special funds have successfully and effectively played a "promoting" role in inducing communes, brigades, and peasants to invest in these efforts. According to statistics, in 1983, the province built 95,400 small projects of water conservancy, scoring a 5.55 million mu increase in well-irrigated farmland. It also helped more than 15,000 rural communes and brigades and more than 18,000 specialized households and households engaging in specialized jobs besides crop cultivation open more exemplary, exploitive, and crucial production avenues of diversified economy, resulting in net profits of 95.7 million yuan in the year. Last year the province spent 159 million yuan on energy and communications projects, an increase of 57 million yuan over the previous year. In addition to the investment in other fields, the province increased its coal production capacity by 2.33 million tons and its installed generating capacity by 300,000 kilowatts. The total mileage of highways also increased. In education and science, in addition to increased operating expenses, a total of 90 million yuan, a 17.49-percent increase over the previous year, was spent on capital construction and used to trial produce new products, conduct experiments, and subsidize the major scientific research projects. Thanks to the concerted efforts of various fields, the enrollment of the provincial

institutions of higher learning increased by 27.63 percent over the previous year; the enrollment of secondary vocational schools increased by 8.14 percent; 239 regular middle schools were changed to urban workers' middle schools or agricultural technical schools; 780,000 illiterate persons were educated; 110,000 classrooms of primary and middle schools were rebuilt; 547,000 sets of desks and chairs were added to primary and middle schools; and the task of rebuilding the poorly-lighted classrooms of rural schools was 80-percent fulfilled. Last year, the province scored many scientific research results, of which 732 won prizes and 194 were applied. Last year, the province increased the hospital construction area by 220,000 square meters, added 2,300 beds, installed some new medical instruments and apparatus, and improved medical conditions. Remarkable achievements were made in the family planning work. The population growth rate dropped from 12.2 per thousand in 1982 to 8.4 per-thousand. In the course of improving the people's cultural livelihood, the people's material livelihood was also improved. Last year, a total of 280,000 people were employed by the state or collectives or became self-employed. Wages of some workers and staff members were raised. Total wages of workers and staff members increased by 4.97 percent. Some 4.72 million square meters of houses were built for urban residents with the investment of financial departments or the funds collected from various fields, thus further improving the people's housing condition.

## 2. The 1984 financial budget:

The year 1984 is crucial to attaining the task raised by the 12th CPC Congress with regard to effecting a fundamental turn for the better in financial and economic situation in 5 years. In 1984, the national economy will develop continually and stably and the financial situation will be good. The 1984 guiding ideology for the provincial financial budget and expenditure will be: further implement the principle of readjustment, restructuring, consolidation, and improvement; pay attention to raising economic results; attend to various reform projects; support development of production; open up more financial resources; increase revenue; uphold the principle of keeping expenditures within the limits of income and the principle of making overall plans and taking all factors into consideration; and strive for a stable balance between revenue and expenditure on the premise of speeding up the development of various undertakings and improving the people's living standards.

The 1984 revenue target assigned to our province by the central authorities is 5.304 billion yuan, an increase of 7.14 percent over the previous year. The provincial revenue budget has been formulated in accordance with this figure. Tax revenue is budgeted at 4.453 billion yuan, an increase of 3.28 percent, and the revenue from enterprises is at 843 million yuan, up by 30.27 percent. The increase of enterprise income will exceed that of production plans. There will be some increase in revenue along with the development of reforms, the improvement of economic relationship, and enterprise quality, the shift of deficits to profits, the increase of economic results, and the readjustment of some financial subsidies.

In 1984, the central authorities assigned Shandong Province a sum of 216 million yuan to purchase state treasury bonds, a sum of 285 million yuan to

build the key state energy resource and transportation projects, and a sum of 75 million yuan as enterprise depreciation funds handed over to the central authorities. We should do a good job in ensuring the fulfillment of these tasks.

The province's 1984 expense budget compiled in line with the provincial retention from its gross income and compiled without the special funds distributed by the central authorities to the province and without the funds transferred from 1983, totals 2.976 billion yuan, a 7.92-percent increase over 1983 in line with the calculation in terms of comparable items. According to the demands of making overall consideration and ensuring the construction of the key state projects, the several arrangements of the 1984 expenditures are as follows: 1) The province will appropriate 261 million yuan for capital construction, a 12.99-percent increase over 1983, 39.54 percent of which will be used for the capital construction of culture, education, science, and public health and chiefly for investment in higher learning institutions and scientific research. 2) The province will newly appropriate 20 million yuan to conduct technical renovation, which will be chiefly used for accelerating technical progress, introducing advanced technology, and for supporting various industries and trades to develop technology and to conduct technical transformation. 3) The province will appropriate 358 million yuan to support the expenses of commune-brigade production and as operational funds to develop agriculture, forestry, and aquatic production. The sum of the funds is 5.05 percent higher than in 1983. Meanwhile, the financial departments at all levels should continuously expand their release of various circulating funds to support agricultural production. By strengthening management and accelerating fund circulation, they should better support diversified economic production and town- and township-run enterprises so as to accelerate the development of rural commodity production. 4) The province will appropriate 1.241 billion yuan, a 7.2 percent increase over 1983, to develop the undertakings of culture, education, science, and public health. Efforts should be made to increase the investment in developing intellectual capability, education, and science, which is one of the strategic priorities set forth by the 12th CPC Congress. Hereafter, in addition to achieving a steady increase of funds covered the budget year, the province will continuously adopt various measures to mobilize social forces to operate these undertakings by relying on the masses. 5) The province will appropriate 165 million yuan, a 4 percent increase over 1983, to conduct the maintenance of urban areas and chiefly to build the water supply facilities in small cities. 6) The province will appropriate 536 million yuan, a 5.6 percent increase over 1983, for administrative expenses. The funds will be chiefly used for party and government organs and the mass organizations to arrange jobs for retired personnel and army cadres and to increase the number of graduates of higher learning institutions, secondary vocational schools, and middle schools. The funds will also be used for the additional expenditures of increasing the per diem of personnel traveling to outside meetings and of standardizing the uniforms of a number of public security cadres and policemen. 7) The province will appropriate 40 million yuan for preparatory funds.

The province's abovementioned arrangements are only general. In line with their own financial situation, the financial departments at all levels should also work out their own concrete plans.

3. We should make sustained efforts to strive to achieve a further turn for the better in financial affairs.

We should acknowledge that our province continuously achieved a turn for the better in the 1983 financial affairs. We, however, must clearly note, that current financial difficulties are still great and many problems need urgent solution. Though, our province, maintained a balance between incomes and expenditures over the past 2 years, a number of deficits accumulated in the past have still not been made up. Expenditures have risen over the past 2 years, which still cannot meet the needs of the construction of key projects and business development. Therefore, we should by no means paralyze our ideas or lower our guard. We must unswervingly exert efforts to fulfill the 1984 budget and to strive to achieve a further turn for the better in the financial affairs. To enable our financial work to follow or serve better the general tasks set forth by the 12th CPC Congress and the fighting target set forth by the province in creating a new situation in the program of building socialist modernization, we should further emancipate our minds, boldly create something new, and should do a good job in ideologically and practically grasping the following three changes: A. Efforts should be made to orient the emphasis of financial and revenue work on the track of concentrating on increasing economic returns, to improve capital management, to support commodity production, and to achieve the best economic results. B. Efforts should be made to shift our attention of financial management onto the basis in which attention is paid to both income increase and expense decrease and to relying on income increase to deal with financial problems so as to achieve a stable balance between income and expenditures. C. Efforts should be made to shift the vision field and scale of financial management of the overall management of funds inside or outside the budget so as to open more money-making revenues, to reserve funds, and to support production and construction business better. In 1984, we should do a good job in grasping the following several tasks:

1) We should conscientiously implement the CPC Central Committee's document No 1 and vigorously support the development of commodity production. The economy is the base of finance. "It is impossible to solve financial difficulties without an economic base and also impossible to have prosperity if the economy is not well developed." We should firmly foster an idea of engaging in production, proceeding from production, serving the production and concentrating our main energy on supporting and promoting the development of production to open up broad financial resources. This year, our financial work should suit the new situation of turning our rural economy to large-scale commodity production and to modernized agriculture. In line with the demands of document No 1, we must vigorously support agriculture with good policies, funds, and real work. In the course of supporting agriculture, we must concentrate on five tasks: First, we must support agroscientific research and promote new technology. We should try every means to collect more funds to improve scientific and technological means and to improve key and top scientific research items in the course of agricultural production, to select a



group of advanced scientific research achievements, to offer funds for certain areas, and to support the promotion and application of new technology. Second, we must support the development of the industrial production, directly serving agriculture, such as chemical fertilizer, small energy, and forage. On the basis of a unified plan, we should support the enterprises, which engage in the production of nitrogen fertilizer, phosphatic fertilizer, and complex fertilizer in order to conduct technological transformation in a planned way to increase the production and improve the quality of products. We should give suitable considerations to the taxes of rural enterprises. Third, we must support the construction of commodity production bases. We must concentrate a part of funds on building, in a planned way, a group of developmental, exemplary, and marketable commodity production bases and on developing range and quality of rural commodity production. Fourth, we must support the development of specialized and key households. In line with the demands for further stabilizing and perfecting the contract responsibility system with payment linked to output and in accordance with actual conditions, we should financially support brigades, work teams, and households. Fifth, we must support the construction of cold storages and storages to meet the needs of commodity circulation. We should firmly attend to the construction of assigned state projects and reduce the taxes of communes, brigades, and peasants that collect funds for supporting the construction of certain projects.

Urban areas should enthusiastically help the enterprises investigate commodity information. Urban enterprises should organize production in line with the demands of the society, clear the channels of circulation, reduce circulating links, handle well the relations between industry and commerce and between different commercial trades, enliven commodity circulation, and make the economy flourish.

2) We should strive to improve the quality of enterprises and increase economic results. In the last few years, all departments and enterprises made great efforts and certain achievements in raising economic results. Their economic results, however, are not satisfactory. In 1983, the tax and profits, from per-hundred-yuan of fixed assets and working funds among local state industrial enterprises in the province were 17.52 yuan and 6.46 yuan, respectively, or 26.94 percent less than those of Jiangsu Province, showing a reduction of 20.79 yuan or 54.27 percent from those of our province in 1965. The objective factors of the change of our province's industrial structure are poor economic results. Last year, our province's industrial enterprises made great achievements in turning deficits into profits. However, the losses in certain circulation fields rose. For instance, food departments earned a 10 million-yuan profit in 1982 and registered a 59 million-yuan deficit in 1983. Therefore, in order to raise economic results, the enterprises must attach prime importance to winning the hard-fought battle of turning deficits into profits. While attending to turning the losses caused by management, we must prominently attend to turning the losses caused by poor policies. We should vigorously expand the experiences of Wendeng County Food Company and Zhaoyuan County Grain Bureau in having no losses by engaging in hog and grain production for many years and turn the situation in which the losses in the field of circulation are rising. In the field of production, we should attend to increasing profits while continuously attending to turning the deficits into profits among money-losing enterprises and products.



We should vigorously support enterprises to carry out technical transformation. At present, our province has about 2 billion yuan for this purpose--including a special loan for technical transformation, depreciation funds from enterprises, and profit retentions. We should use such funds in a coordinate manner, strengthen real guidance, maintain a comprehensive balance in using funds, improve product quality and, on the basis of carrying out feasibility studies develop new products in line with the technical transformation plans of various trades, increase the production of brand-name quality products, rationally use funds according to priorities, and give full play to the beneficial results of funds. Generally, we should not expand production capacity by establishing new plants, and should not use technical transformation funds to carry out capital construction and to expand the production capacity of the processing industry to produce products in excessive supply. We should guard against blind construction and waste of funds. Further efforts should be made to carry out enterprise financial consolidation, improve financial management spadework realistically, implement the economic accounting system in all fields, establish a normal and good financial management order, and improve enterprise management.

3) We should vigorously carry out reform, promote, and enliven the urban and rural economy. We have made certain progress in reforming the financial system in the past few years. However, we should exert more efforts to emancipate thinking, to broaden our prospect, and expedite the reform in order to better serve the whole economic reform and to enliven the economy. Meanwhile, we should attend to reforming the financial system on the basis of carrying out investigation and research, and summing up experience, give full play to the principle of unified leadership with different levels holding different responsibilities, and boost the enthusiasm of the governments at the various levels and all departments to increase revenue and reduce expenditures. In order to cope with the building of rural township political power, efforts should be made to establish township treasuries gradually so as to manage township financial revenues and expenditures, to maintain a normal rural financial order, and to promote the rural economic development. We should attend to the second-stage reform of the system of delivery of taxes instead of profits, and handle the relations between the state and enterprises in a better manner, so as to enable enterprises to have greater power and vitality. Financial and economic reform should supplement and promote each other. Therefore, while attending to financial reform, we should also actively support and coordinate with reforms in various fields, properly handle the relations between long-term and immediate interests, and vigorously support all reforms that benefit economic vitality, prosperity, and happiness of the people, and the building of socialist with Chinese characteristics. We should support and coordinate with enterprises to carry out effective reforms with initiative and an enthusiastic attitude such as implementing all forms of the responsibility systems among enterprises, giving more autonomy and enlivening the business of small collective and state enterprises, clearing circulation channels, reducing minor links, promoting production and making things more convenient for consumers.

4) We should use funds not covered by the state budget and social idle funds in a well-guided manner so as to serve the key projects. At present, we face one prominent problem in our economic construction--we face financial difficulties and a shortage of funds on one hand, and a gradual increase in the amount of funds outside the budget on the other hand. Last year, the total amount of such funds used by the provincial enterprises and state establishments and administrative units exceeded the total amount of budgetary financial expenditures. Under such circumstances, we should take the whole situation into account, study the issues of how to use the budgetary funds, funds not covered in the budget, financial funds, and credit funds rationally and how to find the financial sources for key construction projects, and consider them strategically important to our economic work. Meanwhile, we should include all funds used outside the budget in our state plan to meet different situations and should manage it well by adopting the methods of planned guidance, balanced coordination, and overall planning. Some departments and units may use certain funds within their power limit by adopting the methods of planned management and quota control. Various trades and departments should make overall arrangements for using such funds and should use them in a coordinated and concentrated manner. Financial departments may collect and manage all funds outside the budget which will not be used for the time being. Such funds should be used in places where they are badly needed. Regardless of what methods we adopt, the ownership of funds should not be changed and the principle of mutual benefit should be adhered to. Efforts should be made to establish and improve the accounting and budgetary systems, strengthen management and supervision, and prevent using funds blindly, exceeding the state plan, and wasting the state's natural and financial resources.

5) We should strictly observe financial discipline, and attend to increasing revenues and reducing expenditures. With gradual improvements in party style and social habits, financial management and supervision had been intensified in the past few years. However, serious phenomena, such as tax evasion, arbitrary unwarranted fees, retention of state revenues, extravagance, and waste, still exist in some localities and units. The important reason for this is that on the one hand, some departments and individuals have a poor sense of law, discipline, and the whole situation; on the other hand, our financial and tax departments are ineffective in management and supervision and are listless and weak in handling all kinds of discipline violations. Therefore, we should further attend to building the financial and economic system; strengthen propaganda and education on the legal system; approach the issue of strengthening financial management and supervision, and consolidating financial discipline from the high plane of achieving three fundamental turns for the better in improving the financial and economic situations, social habits and the party style; and exert efforts to improve the situation of lax discipline. We should attend to financial revenues, resolutely check any acts that harm state revenues, and ensure that the state financial revenue plan will not be disrupted. Further efforts should be made to strengthen tax revenue work, improve management, collect revenues in line with policies and in a timely manner, and ensure increases in production and revenues. In expenditures, we should conscientiously implement the recent directives of the central leaders on "strictly controlling administrative funds in 3 years," and reduce the administrative funds of administrative units and enterprises.

by 10 to 20 percent. Provincial party and government organs, mass organizations, and enterprises and establishments should continue to promote the fine traditions of plain living and building the country with thrift, make strict budgets, practice economy, oppose waste, and support key state projects in the spirit of "saving every cent." All localities and departments should conduct tax and financial surveys with the spirit of party rectification; persist in making investigations, corrections, and establishing of regulations simultaneously; mete out strict punishment for economic discipline violators; resolutely correct mistakes; establish necessary rules and regulations; and plug all loopholes in line with all existing problems.

Fellow deputies, our 1984 financial task is very arduous. However, we are convinced that under the encouragement of this congress and the leadership of the CPC committees and governments at all levels and with the joint efforts of the people throughout the province, our 1984 financial budget will be fulfilled or overfulfilled and a better financial situation will surely occur. We should emancipate our minds, enhance our spirit, work diligently, do our work with continued efforts and in a down-to-earth manner, and greet the 35th national day anniversary with outstanding achievements.

CSO: 4006/558

## FINANCE AND BANKING

### FOCUS OF RURAL BANKING ON COMMODITY PRODUCTION URGED

Chengdu SICHUAN RIBAO in Chinese 21 Mar 84 p 1

[Article by staff commentator: "The Primary Task of Rural Banking Is to Support Commodity Production"]

[Text] Today, in face of the new situation in which the rural economy is being transformed from self-sufficiency and semi-self-sufficiency to fairly large-scale commodity production, the agricultural banks and credit cooperatives of the various areas must develop more effectively the role of credit loans as an economic lever, vigorously support rural commodity production and render actual encouragement and make contributions to Sichuan's "rich peasants" and "promotions."

In terms of commodity production, credit loans play the role of a "catalytic agent." The most effective economic lever to regulate, control and guide economic activities, they propel the flexible revolution of production and circulation in line with state plans and requirements. In the past, the "left-wing" influence and the natural state of the agricultural economy restricted commodity production, and the role of credit loans was not fully developed. Today, with the overall development of agriculture, forestry, livestock, sidelines, fishery, industry and commerce, the incipient commodity production and the active fund revolution, the need for credit loans is growing and the role of credit loans is becoming more obvious. Thus, comrades in rural banking must regard agricultural production and the circulation, distribution and consumption of products as the whole course of commodity production, take all factors into consideration, render overall service in supplying credit and support the sustained growth of the commodity economy.

Vigorously supporting specialized households of all types and freely developing commodity production are yet another major policy of the party after introducing the production responsibility system, and we must firmly implement it. Today, we must vigorously support the specialized households in creating, in accordance with local conditions, state plans and market needs, high-quality and inexpensive products; give attention to the practice of combining money, information and techniques; and help them improve the quantity, quality and commodity rate of agricultural sideline products,

strengthen operation and management, depend on their own efforts and rely on their own reserves for expanded reproduction. In rendering support, we must focus on the specialized households in grain production, on those performing services before, during and after production and on those engaged in production of a developmental nature. We must also render support to the general households which need it and give monetary consideration to the poor households.

to support commodity production, we must enliven circulation, so that the products will smoothly convert into commodities. With the rapid development of commodity production, the volume of goods will greatly increase, and it is impossible to rely on state-owned commerce and supply and marketing cooperatives for the entire task of circulation. Therefore, under the conditions of fully developing the roles of state-owned commerce and the supply and marketing cooperatives as the main channels of circulation, and in line with the principle of the simultaneous improvement of the state, the collective and the individual, we must, according to the policies, render

...and we must earnestly support them. We must maintain a definite proportion between funds for commodity circulation and funds for production. In other words, the amount of funds in the circulation link must be appropriate, because too little will block circulation and affect production, while too much will likewise prove detrimental to both. Besides enlivening circulation, we must actively encourage the commune and brigade enterprises to base themselves on local resources; undertake feed processing, food processing and construction material, small energy and small mineral production; and propel the overall development of the rural economy.

The growing development of rural commodity production results in an ever greater needs for funds. On the other hand, it is impossible for the state, with its limited financial resources, to supply more funds to the rural areas. The best method to solve this contradiction is vigorously organize funds, tap the potentials and use rural money for rural work. With the introduction of the contract responsibility system linked with production, production has developed, peasant income has risen and idle funds in the intervals between production, circulation and consumption have also greatly increased, thereby furnishing favorable conditions for the banks and credit cooperatives to organize and regulate rural funds. We must vigorously promote rural savings and encourage the peasants to deposit their idle funds and savings in banks and credit cooperatives. We must strengthen service, make it convenient for the contract and specialized households to make deposits and withdrawals and settle accounts and do everything possible to concentrate the scattered funds in support of commodity production. The agricultural loans which are due or overdue are fairly numerous in our province. If we can recover a part of them, it will give us the financial strength to support agriculture. We must properly manage and flexibly employ the various loans and improve their economic results. As long as the loans are suitably used on commodity production and circulation, production will increase, more goods will come to the market, currency withdrawal from



circulation will have a material base and the peasants will receive more income. The increased income of the peasants will add to the source of funds for the banks and credit cooperatives to recruit deposits and recover loans.

To develop fully the role of the credit cooperatives in supporting rural commodity production, we must continue to reform its management system and truly achieve a mass nature in organization, democracy in management and flexibility in operation. Comrades in rural banking must study vigorously, investigate intensively, practice assiduously and master the economic laws; greatly transform and improve their thinking and understanding, work methods and work styles; keep pace with the new situation; and serve as promoters of a gigantic development of the rural commodity economy.

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CSO: 4006/460

## FINANCE AND BANKING

### CHINA'S RURAL TAXATION POLICY EXPLAINED

Shenyang LIAONING RIBAO in Chinese 24 Mar 84 p 2

[Article: "An Interview at the Liaoning Provincial Tax Bureau on Rural Taxation"]

[Text] The basic policy on rural taxation has not changed. If it is said that there are certain changes, then it is only that what should have been collected in the past but as not collected is now earnestly collected, and that what as paid by the collectives in the past is now, with the changes in the rural economic composition and commodity circulation channels, paid by individuals with the advent of individual operations. As for the rumors that the state will increase taxes on the peasants and levy taxes on the specialized livestock raising and breeding households, they are hearsay.

Recently, this paper received successively some letters which inquired about problems in rural taxation. For this reason, the reporter visited the Liaoning provincial tax bureau. The answers are summarized as follows.

#### No Change in Basic Policy on Rural Taxation

Before the introduction of the rural contract responsibility system linked with production, the collective was the form of production and operation. At that time, the rural industrial-commercial tax levied by the state mainly came from commune and brigade enterprises, and peasants, aside from a small amount of local tax, basically had no tax burden. The changes in the rural economic system, economic composition and commodity circulation channels after the general introduction of the contract responsibility system must necessarily be appropriately reflected in taxation. They are as follows:

1. After introducing the contract responsibility system linked with production in rural communes and brigades, the taxable items of production and operation for which communes and brigades were responsible in the past, such as industry, communications and transportation, construction and installation, commerce, food and beverages and the service industries, are contracted to

individual commune members or small groups which are responsible for the profit or loss. Thus, with the changes in the economic system, the taxes paid by the communes and brigades in the past naturally shifted to the contracting individuals or small groups. It is a matter of course. According to the current policy, industrial-commercial and income taxes must be paid on the items of operation which were not undertaken by communes and brigades but which have been started by individual peasants.

2. With the growth of rural commodity production, the state permits the peasants, after completing the state purchasing tasks, to sell their agricultural sideline products in the market or by long-distance peddling in order to develop rapidly the country fair trade. According to the provisions of state policy, when the peasants are in possession of self-production certificates issued by the township (village) government and sell their sideline products, which are not listed as taxable, in the area designated by the local government, tax exemptions for such products should be continued. However, it is perfectly reasonable to collect a small tax for long-distance peddling on products sold beyond the designated area.

3. According to the provisions of state policy, a few forestry, livestock, sideline and fish products (e.g., aquatic products, logs, milk, native tobacco, etc.) were taxed in the past. Since these businesses are now operated by individual peasants, whether newly launched or contracted, naturally they should likewise be taxed.

4. The levy of a livestock trade tax began in the fifties. After the commune movement, as the ownership of large animals was mostly in the collectives, the volume of transfer was very small. Thus, for a period the tax was not collected. After the introduction of the rural contract responsibility system, trade in livestock has greatly increased; therefore, the resumption of this category of tax is normal.

The above discussion indicates that the basic policy on rural taxation has not changed. If it is said that there are certain changes, then it is only that what should have been collected in the past but was not collected is now earnestly collected, and that what was paid by the collectives in the past is now, with the changes in the rural economic composition and commodity circulation channels, paid by individuals with the advent of individual operations. As for the rumors that the state will increase taxes on the peasants and levy taxes on specialized livestock raising or breeding households (raising hogs, sheep, chicken, dogs and bees), they are hearsay.

#### Necessity of Rural Taxation

Taxation is the main source of state revenue, and its proportion of the total revenue grows larger year after year. China's tax revenue mainly comes from state-owned and collective enterprises, and the proportion of rural taxes for the total tax revenue is very small. Besides the need of the state to centralize funds, what is even more important is that the taxes collected from the rural areas are for the purpose of balancing the burden and arranging

the economy. In the same way as other economic levers such as pricing and credit in the complicated economic activities, taxation produces a regulatory effect on production, consumption and income. By means of tax collection, reduction and exemption, and by raising and lowering the rates, the state regulates the profit and income levels among the various kinds of economic compositions, industries, enterprises and products which are conducive to the development of the various economic activities according to state plans and to competition among industries and enterprises under roughly identical conditions. Meanwhile, taxation flexibly arranges the relations between the various economic components and within the components according to the party's policies in a way conducive to the normal development of the national economy.

#### The Honorable Obligation of Paying Taxes

China's taxation comes from the people and is spent on the people. For many years, especially since the 3d Plenary Session of the 11th Party Central Committee, the state, to encourage the development of agricultural sidelines and to increase the income of the peasants, adopted measures, including financial support. Take Liaoning, for instance: The annual state payment to the peasants as an additional price on above-norm state purchases of grain and oil amounts to more than 300 million yuan; the annual rural tax reductions and exemptions total more than 100 million yuan. Just the two items alone are equivalent to adding an annual average of more than 70 yuan to the income of every household. As for state allocations for farmland water conservation projects, for the development of chemical fertilizer, insecticides and farm machinery and for implements, the amounts are even larger. According to China's constitution, "citizens of the People's Republic of China have the obligation to pay taxes according to law." Today, with the overall development of rural diversification, the peasants' living standard has somewhat improved, and the income of some households has doubled or has increased several times. Therefore, they should develop even more their patriotic spirit, start from the overall and long-range interest, consciously perform their obligation to pay taxes and contribute their effort to the four modernizations construction.

State taxation is absolutely not for the purpose of increasing the burden on the peasants. The tax increase mainly comes from production development and the increase in national income due to production development. This point is essentially different from the taxation of capitalist countries. When formulating and introducing each tax policy, the state first considers the capacity of the taxpayers. Particularly when it comes to rural taxes, consideration is given to both the need of the state and the capacity of the peasants to bear the burden, and taxation will not affect the development of rural production or lower the rural living standard. For those who experience difficulties in production and operation, the state gives them appropriate consideration by means of the policy of tax reduction or exemption.

## FINANCE AND BANKING

### NATIONWIDE FINANCIAL EXAMINATION LAUNCHED

Beijing JINGJI RIBAO in Chinese 10 Feb 84 p 1

[Article: "Nationwide Financial Examination Proceeds Smoothly"]

[Text] Report Li Ping [2621 1627] reports the following: According to information from the financial examination office of the Ministry of Finance, the nationwide financial examination is proceeding smoothly. Currently, the self-examination of the various businesses, enterprises and administrative units has basically been concluded, and most areas have entered the phase of reexamination, inspection and acceptance and practical handling. According to statistics of Henan, Hubei, Shandong, Guangdong, Liaoning and Shanghai, a total of 22 provinces and cities and 190,000-odd persons, organized into 26,800-odd groups, were mobilized to make key examinations of more than one-third of the businesses, enterprises and administrative units, and the remaining units generally launched self-examinations. By the end of January, the total number of financial and economic disciplinary violations in the various areas throughout the country came to 3.5-odd billion yuan, including 1.9 billion which should be paid to the state and 1.3 billion which had been paid.

According to a responsible person of the financial examination office of the Finance Ministry, numerous acts in violation of financial and economic discipline, such as withholding profit, haphazard cost accounting, tax evasion and indiscriminate payment of bonuses and issuance of material objects, were uncovered in the course of the examination. Upon discovery, many areas immediately took earnest steps. Some units repaid the profit which was due the government and took disciplinary actions against the personnel concerned.

The responsible person emphatically pointed out: The financial examination must be carried through from start to finish, and the relatively inferior areas and units will be reexamined, in order to clarify the problems and leave no "untouched spots." The problems uncovered must be earnestly handled, and no unit or individual violating law and discipline will be permitted to gain an economic advantage.

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CSO: 4006/461



## FINANCE AND BANKING

### MINORITY AREAS RECEIVE SPECIAL FINANCIAL HELP

OW222347 Beijing XINHUA Domestic Service in Chinese 0322 GMT 22 May 84

[Excerpts] Beijing, 22 May (XINHUA)--In recent years, the state authorities have taken a number of measures to give special financial and economic assistance to minority areas, according to the departments concerned.

A policy of financial subsidies has been implemented in those autonomous areas and minority-inhabited provinces, whose revenue cannot cover expenditure. Since 1980, when the state instituted the financial system of "letting each level take responsibility for its revenue and expenditure," a special policy has been practiced in Nei Monggol, Xinjiang, Xizang, Guangxi, and Ningxia autonomous regions and in Yunnan, Guizhou, and Qinghai provinces, which have more minority-inhabited areas than other provinces. This policy allows local authorities to retain all revenues, and if revenues still cannot cover expenditures, the deficits are made up by financial subsidies provided by the central authorities. Based on this policy, the total amount of financial subsidies provided by the central authorities of the above-mentioned five autonomous regions and three provinces increased from some 4 billion yuan in 1980 to some 5 billion yuan in 1983. During this period, the subsidy given to Nei Monggol grew from 1,168,200,000 to 1,525,990,000 yuan; Xinjiang from 895,410,000 to 1,123,780,000 yuan; Xizang from 496,090,000 to 639,520,000 yuan; and Guizhou from 525,800,000 to 656,440,000 yuan.

Special-purpose funds and subsidies are appropriate to areas inhabited by minority nationalities. From 1979 to 1982, more than 1.2 billion yuan were provided to border areas as special funds for capital construction and subsidies for developing these areas. Over 70 percent of this was used in localities inhabited by minority nationalities.

After the institution of the financial system of "letting each level take responsibility for its revenue and expenditure," minority areas still enjoy the various preferential treatments, as in the past. The main preferential treatments are as follows:

--Each year, the state provides autonomous minority areas with an extra fund, equivalent to 50 percent of the preceding year's spending, for local economic construction, social, cultural, and educational development, administrative fees, and other expenses.

--Reserved funds budgeted for autonomous minority areas are higher than for other places. For autonomous regions, the amount of such funds is 5 percent of the total expenditure for the current year, for autonomous prefectures, it is 4 percent, and for autonomous counties, it is 3 percent. These percentages are 2 percent higher than those budgeted for regular provinces, prefectures, and counties.

--Subsidies are allocated to minority areas, mainly to meet special expenditures for developing production, cultural and educational undertakings, and medical and health-care projects. The amount of such subsidies is approximately 50 million yuan a year.

Preferential treatment in trade is also given to minority areas. The state gives preferential treatment to minority trade enterprises in border and remote mountainous and pastoral areas in terms of operating funds, share of profits retained, and prices. Enterprises engaged in retail sales may contribute only 80 percent of their operating funds, and those engaged in wholesale only 50 percent, while the remainder is made up of low-interest loans from banks. Minority trade enterprises may retain 50 percent of their profits, compared with only 27 percent retained by business enterprises in other areas. Protective floor prices are set for major agricultural, animal, and native products turned out in minority areas.

A special taxation policy is implemented in autonomous minority areas. While implementing the state tax law, they may enjoy tax cuts or exemption, if it is deemed necessary to give them such preferential treatment as a measure of encouragement. Autonomous areas may also enact their own tax regulations according to the basic principles of tax law, and by taking into consideration their specific local conditions.

According to state regulations, commune- and brigade-run enterprises in border counties and autonomous minority counties (banners) are exempt from industrial and commercial income tax for 5 years, commencing 1979. At the end of this period, if they still have difficulty in paying tax, they may continue to receive preferential treatment. The tax rate set by the state on tea sold to border areas inhabited by minority nationalities (tea to be consumed by minority nationalities) has been reduced from 20 to 15 percent.

CSO: 4006/558

## FINANCE AND BANKING

### BRIEFS

JILIN STATE BOND PURCHASE--According to statistics compiled at the end of April, Jilin Province overfulfilled its state assignment of buying the state treasury bonds by 2.3 percent. Peasants throughout the province overfulfilled assignment by 27.5 percent. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 17 May 84 SK]

SHANDONG STATE BOND PURCHASE--According to statistics compiled at the end of April, Shandong Province bought the state treasury bonds worth 182.94 million yuan that accounts for more than 85 percent of the annual purchase assignment. The prefectures and cities of Jinan, Qingdao, Zibo, Linui, Dongying, Taian, and Liaocheng had fulfilled or overfulfilled their purchase plans in this regard. [Excerpts] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 18 May 84 SK]

HEILONGJIANG INSURANCE BUSINESS--Since 1980, Heilongjiang Province has made a great progress in insurance business. According to statistics, over the past 4 years, property across the province, which has been invested in insurance business, is worth 47 billion yuan. The number of enterprises that undertake insurance has reached more than 8,500, and of vehicles, more than 110,000. The provincial insurance companies have received more than 2.9 million U.S. dollars of insurance payment from foreign enterprises. [Excerpts] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 17 May 84 SK]

QINGHAI REVENUE, EXPENDITURES--By 10 May, Qinghai Province had fulfilled 52.3 percent of the annual quota for revenue. The amount of revenue was 32.7 percent more than in the same period last year. By the same period, the province fulfilled 21.1 percent of the annual quota for expenditures. The amount of expenditures was 31.4 percent more than in the same period last year. [Summary] [Xining Qinghai Provincial Service in Mandarin 1100 GMT 18 May 84 SK]

BEIJING's 1983 TAX REVENUE--With the common effort of Beijing's broad mass of workers of all trades and professions and of the financial and accounting personnel, the city completed above norm the various tax revenue tasks for 1982. The various industrial and commercial tax revenues last year totaled 2.62 billion yuan, completing 109.3 percent of the 2.4 billion yuan planned by the central government, exceeding the goal by 220 million yuan and constituting an increase of 210 million yuan, or 8.7 percent, over the actual tax revenues of 1982. With the 1.16 billion yuan in income tax collected from local state-owned enterprises in the city, the tax revenues of the city totaled 3.78 billion yuan, constituting 94.9 percent of the 3.98 billion-yuan budget revenue. [Text] [Beijing BEIJING RIBAO in Chinese 16 Jan 84 p 1] 6080

CSO: 4006/460

## MINERAL RESOURCES

### BRIEFS

GUANGXI BENTONITE MINE--Nanning, 1 Jun (XINHUA)--A large bentonite mine with verified reserves exceeding 43 million tons has been discovered in Tiandong County in the west of the Guangxi Zhuang Autonomous Region. Bentonite, a porous clay able to absorb much water and swell greatly, is used in machine casting, oil well drilling, oil decolorization, metal smelting and refining and environmental protection. Discovered by the region's no 2 geological prospecting team, the bentonite mine is reported to be of great value for industrial development. [Text] [Beijing XINHUA in English 1156 GMT 1 Jun 84 OW]

RESPONSIBILITY SYSTEM IN BUILDING MINE--Lin Yincai, vice minister of chemical industry, said today at the second conference on the construction of Yunfu sulfurous iron mine: To promote early completion of this, the largest sulfurous iron mine in China, the contract responsibility system will be instituted in its construction. Vice Governor Kuang Ji, speaking at the meeting which was jointly convened by the Ministry of Chemical Industry and the provincial government, demanded that all departments in the province support and promote the shift to the contract responsibility system in building the mine, to speed its early completion. The Yunfu sulfurous iron mine is the largest chemical mine of its type in the country, with an annual output of 3 million tons. The aim is to complete construction by July next year, which is ahead of schedule. [Text] [HK020229 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 1 Jun 84]

CSO: 4006/558



## CONSTRUCTION

### NINGXIA'S CONSTRUCTION BANK SAVES MONEY ON PROJECTS

Beijing RENMIN RIBAO in Chinese 3 Apr 84 p 2

[Article: "Ningxia's Construction Bank Saves 50 Million Yuan for the State"]

[Text] Correspondent Li Yinhe [2621 5593 0735] reports the following: The Ningxia Hui Autonomous Regional branch of the China People's Construction Bank strengthened the supervision and management of the construction funds of large and medium projects, actively participated in the examination of planned budget estimates, construction budgets and final accounts and determined and revised the overall prices of materials, thereby saving 50 million yuan for the state and lowering the construction costs.

To prevent and overcome the phenomenon of "large project, large waste," since last year the branch bank changed the practice of evenly dividing its manpower in the supervision and management of investments among all the capital construction projects and successively assigned 18 engineers, economists and allocation officers to supervise and manage 8 large and medium projects.

Participating in examining the budgetary estimates, budgets and final accounts of projects, the Shijushan branch bank made obvious achievements. The No 3 Vertical Mine and Taixi Coal Cleaning Plant of the Shijushan mines were two newly started large and medium projects. The 5 engineers and allocation officers in charge visited the mining affairs bureau 10 times and Yinchuan city 6 times and spent close to 2 months in investigation and study. On the basis of voluminous data and information, they proposed 13 revisions on the preliminary estimate of the No 3 Vertical Mine. When scrutinizing the construction contract agreement, the units concerned of the coal department accepted the rational suggestions, reduced about 30 million yuan from the estimated investment and lowered the investment per ton of coal by more than 30 yuan.

Last year, the various branch banks and offices throughout the region received a total of 4,660 project budgets and final accounts, involving more than 318 million yuan. The construction bank examined and decided on 4,174 of them and reduced the investments by 19.77 million yuan.

In conjunction with the quotas decided by the regional planning commission, the branch banks and offices throughout the region determined and revised the overall prices on materials for the departments connected with the army and lowered the construction costs by 2.1 percent.

## CONSTRUCTION

### TIANJIN TO BUILD FOREIGN-TRADE CENTER BUILDING

OW221942 Beijing XINHUA in English 1848 GMT 22 May 84

[Text] Tianjin, 22 May (XINHUA)--A joint-invested multi-storey building will be built in Tianjin to cope with growing foreign economic activities in this port city of north China.

Under a contract signed last weekend by the Tianjin International Trust and Investment Corporation and the Viobright International Investments Ltd of Hong Kong, the foreign trade center building will involve an estimated investment of 35 million yuan (about 17.5 million U.S. dollars). With a total floor space of 35,000 square meters, the 31-storeyed building will be completed by the end of 1986.

The building will be fitted out with such modern facilities as air conditioner and smoke-detector, and will include Chinese and Western restaurants.

Seventy-five percent of the investment will come from the Tianjin International Trust and Investment Corporation and the rest from the Hong Kong firm. The contract period is set for 15 years.

The building, operated by the Tianjin Foreign Trade Center Co Ltd, will accommodate business people from Hong Kong and Macao and foreign countries and provide offices for Chinese foreign trade-related departments.

Tianjin is one of the 14 coastal cities chosen by the State Council to further implement the policy of opening to other countries. It will open a new economic development zone where some of the special policies designed for the special economic zones elsewhere in China will be applied.

CSO: 4020/130

## CONSTRUCTION

### HAINAN CPC SETS UP CONSTRUCTION COMPANY

HK251046 Haikou Hainan Island Service in Mandarin 0330 GMT 25 May 84

[Text] To meet the needs for large-scale exploitation and construction of Hainan Island, the Hainan District CPC Committee and commissioner's office recently set up the Hainan Island Exploitation and Construction General Company. Yao Wenxu, secretary of the district CPC committee, was appointed chairman of the board of the company directors, and Lei Yu, director of the commissioner's office, was appointed vice chairman of the board of directors. Meng Qingping, Wang Yuefeng, Wei Zefeng, Wei Zefang, Pan Qiongxiang, Lin Taosen, Tao Wenhua, (Zhang Tingcao), Wang Xin, Chen Yuyin, Dong Fangyuan, Xie Donghui, and (Chen Yinghao) were appointed members of the board. (Yang Yimu) was appointed adviser to the company.

The company will exercise the management responsibility system. Meng Qingping, deputy secretary of the district CPC committee, is general manager of the company. Chen Yuyin, deputy director of the district commissioner's office, and (Chen Yinghao), general secretary of the district commissioner's office, are assistant general managers of the company.

The tasks of the company are:

1. Plan, guide, or directly operate exploitative construction projects.
2. Take charge of the work of introducing foreign capital and technology and of carrying out cooperation among various places; projects with an investment of over 5 million yuan will be carried out under the direct management of the company.
3. Exercise leadership over various kinds of specialized and branch companies.

Specialized and branch companies affiliated with the general company will implement a new management system, which is composed of a manager invitation system, a manager-group system, a staff and worker recruitment system, a staff and worker contract system, and a floating salary and bonus system.

Immediately after establishment, the general company and its specialized and branch companies should allow their enterprises to get rich of the habit of

eating from the same big pot of the state, enable their staff and workers to do away with the practice of eating from the same big pot of the company they belong to, and appoint their managerial personnel.

The Hainan Island Exploitation and Construction General Company will continue to set up its specialized and branch companies, such as the Hainan Land Petroleum Exploitation Company, the Hainan Marine Products Exploitation Company, the Hainan Electric Products Exploitation Company, the Hainan Aviation Service Company, (Haixian) Hotel, and the (Shanya) tourist service company.

CSO: 4006/558

## CONSTRUCTION

### BRIEFS

BEIJING'S KEY CONSTRUCTION FUNDS--Beijing made obvious results in collecting energy and communications funds. By the end of 1983, the total collection was 280.69 million yuan, including a surplus collection of 80.69 million yuan and completing above norm the task assigned by the central government. In addition, the city also collected for the central government from its enterprises in Beijing 1,243.64 million yuan in energy and communications funds, making contributions to the state's key projects. The work was started in January 1983 according to the decision of the Party Central Committee and State Council. During the collection, the city received the serious attention of the party and government leaders of the various levels and the active support and coordination of the paying units. [Text] [Beijing BEIJING RIBAO in Chinese 16 Jan 84 p 1] 6080

CSO: 4006/461



# INVESTMENT PLANS IN CARIBBEAN REGION

OW251341 Taipei CNA in English 0934 GMT 25 May 84

[Text] Taipei, 25 May (CNA)--The U.S. Government has given an initial green light to the Chinese Government's investment program in the Caribbean basin, and proposed joint ventures involving the U.S., ROC [Republic of China] and Caribbean firms, Vice Economic Affairs Minister M. T. Wu said.

Wu was invited to attend the U.S.-Caribbean basin business conference, cosponsored by the U.S. Department of Commerce and U.S. Department of Agriculture, during his visit. Wu indicated that the U.S. Government accepted the ROC's suggestion that joint venture investments can be of help to the Caribbean countries' industrial and economic growth. But the U.S. Government suggested ROC Government and private firms do careful surveys and investigations before making any decision, because political and investment-related factors are very complicated in these countries.

A draft of the proposed package for promoting investment in the Caribbean basin was submitted to the cabinet for approval. According to the draft, the government will organize two groups to visit Central American and Caribbean basin countries. Currently, Panama and Costa Rica are countries suitable for investment by local firms, according to government reports.

Meanwhile, the Export-Import Bank [EXIM-Bank] of China is planning to provide loans and guarantees for local Chinese businessmen willing to invest in the Caribbean countries, a bank official said.

The move is to coordinate the Chinese Government effort to increase Taiwan's exports through the Caribbean basin to North America, especially the United States, he said.

In drafting the plan, the EXIM-Bank has taken into consideration the requirements of local firms which have invested or plan to invest in nations in the Caribbean area. The loan and guarantee service can be formally inaugurated once the restrictions currently imposed on external investment are relaxed, the official said.

Government agencies concerned, including the Ministry of Economic Affairs, the Ministry of Finance and the Ministry of Foreign Affairs, have recently decided to encourage local companies to invest in Caribbean countries and ship the goods produced there to the United States. The move is aimed at strengthening relations between the Republic of China and the Caribbean countries while also maintaining U.S. markets for ROC products by making use of the Caribbean basin initiative announced by the U.S. Government.

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## BRIEFS

IMPORT DUTY ON EUROPEAN GOODS--Taipei, 29 May (CNA)--The government has decided in principle to reduce import duties on 50 to 60 European products, in order to extend reciprocal trade treatment and enlarge trade between the European Economic Community (EEC) and the Republic of China. Statistics show that although two-way trade between the ROC and EC hit U.S. dollars 5 billion in 1983, leaving a trade surplus of U.S. dollars 500 million in the ROC's favor, it represented a slow growth rate over the year before compared to foreign trade with most other markets. The EEC is viewed as a huge potential market for locally made products, so in an effort to speed up bilateral trade, the government intends to lower import tariffs on 50 to 60 commodities, as requested by EEC countries. The government plans to send a delegation to Europe in June to conduct trade negotiations and pave the way for the tariff reductions. The government here is also urging the EEC members to eliminate certain trade barriers which impede ROC exports to the EEC. [Text] [OW290455 Taipei CNA in English 0306 GMT 29 May 84]

TRADE WITH SOUTH AFRICA--Taipei, 26 May (CNA)--The Republic of China enjoyed a surplus in its two-way trade with South Africa for the first time ever last year. The exchange of goods favored this nation by U.S.\$6.8 million, the Board of Foreign Trade said Saturday. It is expected that trade between the two nations will continue to grow steadily, the board indicated. The nation's surplus came from U.S.\$231.5 million in exports against U.S.\$224.7 million worth of imports in the trade with South Africa last year. The exports and imports grew 5.9 percent and 0.5 percent respectively above the amounts of the year before, the board said. In 1982, this nation still suffered a U.S.\$5million deficit in trade with South Africa. The board urged traders to lay much stress on putting quality into their products to benefit exports to South Africa. [Text] [OW261604 Taipei CNA in English 1340 GMT 26 May 84]

OPEN TRADE POLICY--Taipei, 29 May (CNA)--Hsu Li-teh, finance minister who has been nominated by the ruling Kuomintang as the next economics minister, pointed out Monday that free competition and more open economic policies are necessary to the nation's long-term economic development. An observer said Hsu's statement indicates that incumbent Economics Minister Chao Yao-tung's suggestion for a more liberal economic policy has been accepted by the ranking authorities and will continue to serve as the guideline for the nation's economic activities in the future. Hsu said in a press conference Monday

afternoon that he will continue to improve the function of the Ministry of Economic Affairs and strengthen contacts with people in private enterprise and academic circles to join together in advancing the nation's economic affairs. Different from incumbent Economics Minister Caho Yao-tung's preference for heavy industry, Hsu indicated that in the future he will attach more importance to the development of the commercial sector and the service industry. He said he would like to make the Republic of China an advanced nation that is renowned for its high-quality manpower, and a developed society that is full of intelligent people. [Text] [OW290345 Taipei CNA in English 0309 GMT 29 May 84]

NO PETROLEUM SUPPLY PROBLEMS--President (Chen Yao-Shen) of Chinese Petroleum Corporation said today this nation has never intended and does not intend to import crude oil from Iran. Chen also dismissed as rumor that the Republic of China has reached any agreement with the national oil firm of Iran for the purchase of crude oil from that country. (Chen) reiterated that since this nation has been importing oil mainly from Saudi Arabia and Kuwait through long-term contracts, the ROC currently has oil reserves for at least 4 and 1/2 months. Therefore, he said, the oil supplies here will not be affected by the tensions in the Persian Gulf. Local oil prices will remain stable. (Chen) pointed out that, however, his company has worked out contingency policies. [Text] [OW272013 Taipei International Service in English 0100 GMT 26 May 84]

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